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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of report (Date of earliest event reported): February 22, 2010

BROCADE COMMUNICATIONS SYSTEMS, INC.
(Exact name of registrant as specified in its charter)

Delaware	**000-25601**	**77-0409517**
(State or other jurisdiction of incorporation)	**(Commission File Number)**	**(I.R.S. Employer Identification Number)**

1745 Technology Drive
San Jose, CA 95110
(Address, including zip code, of principal executive offices)

(408) 333-8000
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition.

On February 22, 2010, Brocade Communications Systems, Inc. (the “Company”) issued a press release regarding financial results for the first quarter ended January 30, 2010. The Company also posted on its website (www.BRCD.com) slides with accompanying prepared remarks regarding such financial results and forward-looking statements relating to the Company’s estimated fiscal year 2010 financial results and market opportunities. Copies of the press release and slides with accompanying prepared remarks by the Company are attached as Exhibits 99.1 and 99.2, respectively, and the information in Exhibits 99.1 and 99.2 is incorporated herein by reference.

The information in Item 2.02 and Item 9.01 in this Current Report on Form 8-K and the exhibits attached hereto shall not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit Number	Description of Document
99.1	Press release, dated February 22, 2010, regarding financial results of Brocade Communications Systems, Inc. for the first quarter ended January 30, 2010.
99.2	Slides with accompanying prepared remarks of Brocade Communications Systems, Inc., dated February 22, 2010, regarding financial results of the first quarter ended January 30, 2010 and estimated fiscal year 2010 financial results and market opportunities.

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 hereunto duly authorized.

	BROCADE COMMUNICATIONS SYSTEMS, INC.
Dated: February 22, 2010	By: /s/ Richard Deranleau
	Richard Deranleau
	Chief Financial Officer and Vice President, Finance

BROCADE CONTACTS

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Brocade Delivers Record Fiscal Q1 Results

Strong Storage Networking Performance Drives 25% Year-over-Year Revenue Growth

SAN JOSE, Calif., Feb. 22, 2010 — Brocade® (NASDAQ: BRCD) today reported financial results for its first fiscal quarter ended January 30, 2010. Brocade's quarterly revenues increased 25 percent year-over-year to $539.5 million.

"Brocade's Q1 performance exceeded consensus non-GAAP EPS expectations for the 18th consecutive quarter thanks to the balance and diversity of our business model, our highly variable cost structure and our ability to execute," said Michael Klayko, CEO of Brocade.

Klayko continued: "At the same time, Q1 highlights the work ahead in building our Ethernet business to the levels we expect. Going forward, Brocade plans to reenergize our Ethernet business strategy, which targets opening hundreds of new direct enterprise Ethernet accounts each quarter. As one of two end-to-end networking companies worldwide, we believe Brocade is well-positioned and are optimistic about our ability to take advantage of the expected worldwide growth of networking spending in 2010 and beyond."

In addition to this press release, Brocade management has posted prepared comments and slides on its Fiscal Q1 results and outlook at www.BRCD.com. Brocade will host a live webcast conference call to answer questions from investors and analysts at 2:30 p.m. Pacific time. Questions may also be submitted in advance to ir@brocade.com.

Other Q1 product, customer and partner announcements are available at http://newsroom.brocade.com/.

Financial Highlights and Additional Financial Information

- Q1 revenue was $539.5 million, increasing 3.4% sequentially and 25% year-over-year.
- Q1 GAAP EPS (diluted) was $0.11, increasing 57% sequentially and from a loss in Q1 2009.
- Q1 non-GAAP EPS (diluted) was $0.19, increasing 27% sequentially and year-over-year.
- Q1 non-GAAP operating margin was 26.0% versus 22.7% in Q4 and 26.1% in Q1 2009.
- Q1 effective GAAP tax rate was 2.4%; non-GAAP effective tax-rate was 22.0%.
- Q1 Adj. EBITDA was $154.7 million, up from $130.0 million in Q4 and $136.7 million in Q1 2009.
- Q1 total Storage Area Networking (SAN) port shipments were approximately 1.2 million.

	Q1 2010	Q4 2009	Q1 2009
Revenue	$539.5 M	$521.8 M	$ 431.6 M
GAAP net income (loss) (1)	$ 51.1 M	$ 32.1 M	$ (23.9) M
Non-GAAP net income	$ 94.0 M	$ 73.4 M	$ 63.6 M
GAAP EPS – diluted (1)	$ 0.11	$ 0.07	$ (0.06)
Non-GAAP EPS – diluted	$ 0.19	$ 0.15	$ 0.15
Non-GAAP gross margin	59.3%	59.5%	59.7%
Non-GAAP operating margin	26.0%	22.7%	26.1%
Adjusted EBITDA (2)	$154.7 M	$130.0 M	$ 136.7 M
Cash provided by operations	$ 69.1 M	$155.3 M	$(163.8) M

Please see important note of explanation on Non-GAAP measures below, including a detailed reconciliation between GAAP and Non-GAAP information in the tables included herein.

	Q1 2010 (5)	Q4 2009	Q1 2009
As a % of total revenues			
OEM revenues	71%	65%	76%
Channel/Direct revenues	29%	35%	24%
10% or greater customer revenues	54%	46%	56%
Domestic revenues (3)	63%	63%	64%
International revenues (3)	37%	37%	36%
Data Storage Revenue	65%	58%	72%
Ethernet Products Revenue	18%	25%	12%
Stackable % of Ethernet Revenues (4)	39%	30%	27%
Chassis % of Ethernet Revenues (4)	61%	70%	73%
Enterprise % of Ethernet Revenues (4)	84%	86%	74%
Service Providers % of Ethernet Revenues (4)	16%	14%	26%
Global Services Revenue	17%	17%	16%

	Q1 2010	Q4 2009	Q1 2009
Cash, cash equivalents and investments	$ 501.1M	$ 338.9 M	$ 215.9M
Deferred revenues	$ 236.4M	$ 235.4 M	$ 226.7M
Capital expenditures – non-campus related	$ 16.7M	$ 16.7 M	$ 12.6M
Capital expenditures – campus related	$ 30.6M	$ 27.8 M	$ 23.2M
Total debt, net of discount (1)	$ 1,176M	$ 1,082 M	$ 1,232M
Days sales outstanding	47 days	52 days	52 days
Employees at end of period	4,114	4,070	3,950

1) Retrospectively adjusted as a result of applying new standard that changed the accounting for convertible debt instruments with cash settlement features.
2) Adjusted EBITDA is as defined in the Term Debt Credit Agreement.
3) Based on Brocade estimates of adjustment for partners taking delivery of internationally bound shipments in the United States, end-user demand was 48% domestic and 52% international.
4) On an "As If" combined Brocade basis with respect to Q1 2009.
5) Q1 2010 is the fourth full quarter of combined operations post acquisition of Foundry.

Non-GAAP Financial Measures

This press release contains non-GAAP financial measures. In evaluating Brocade's performance, management uses certain non-GAAP financial measures to supplement consolidated financial statements prepared under GAAP.

Management believes that non-GAAP financial measures used in this press release allow management to gain a better understanding of Brocade's comparative operating performance both from period to period, and to its competitors' operating results. Management also believes these non-GAAP financial measures help indicate Brocade's baseline performance before gains, losses or charges that are considered by management to be outside ongoing operating results. Accordingly, management uses these non-GAAP financial measures for planning and forecasting of future periods and in making decisions regarding operations performance and the allocation of resources. Management believes these non-GAAP financial measures, when read in conjunction with Brocade's GAAP financials, provide useful information to investors by offering:

- the ability to make more meaningful period-to-period comparisons of Brocade's ongoing operating results;
- the ability to make more meaningful comparisons of Brocade's operating performance against industry and competitor companies;
- the ability to better identify trends in Brocade's underlying business and perform related trend analysis;
- a better understanding of how management plans and measures Brocade's underlying business; and
- an easier way to compare Brocade's most recent results of operations against investor and analyst financial models.

Management excludes certain gains or losses and benefits or costs in determining non-GAAP net income that are the result of infrequent events or arise outside the ordinary course of Brocade's continuing operations. Management believes that it is appropriate to evaluate Brocade's operating performance by excluding those items that are not indicative of ongoing operating results or limit comparability. Such items include: (i) legal fees associated with certain pre-acquisition litigation, (ii) legal fees associated with indemnification obligations to former directors and officers and other related costs, net, (iii) acquisition and integration costs (in connection with the Foundry acquisition), (iv) in-process research and development charges (in connection with the Foundry acquisition), (v) loss on sale of real estate, (vi) acquisition-related financing charges, and (vii) interest expense related to adoption of new standard relating to convertible debt instruments.

Management also excludes the following non-cash charges in determining non-GAAP net income: (i) stock-based compensation expense, and (ii) amortization of purchased intangible assets. Because of varying available valuation methodologies, subjective assumptions and the variety of award types, management believes that the exclusion of stock-based compensation allows for more accurate comparisons of our operating results to our peer companies. Management believes that the expense associated with the amortization of acquisition-related intangible assets is appropriate to be excluded because a significant portion of the purchase price for acquisitions may be allocated to intangible assets that have short lives and exclusion of the amortization expense allows comparisons of operating results that are consistent over time for Brocade's newly acquired and long-held businesses.

Finally, management believes that it is appropriate to exclude the tax effects of the items noted above in order to present a more meaningful measure of non-GAAP net income.

***Limitations*.** These non-GAAP financial measures have limitations, however, because they do not include all items of income and expense that impact the Company. Management compensates for these limitations by also considering Brocade's GAAP results. The non-GAAP financial measures that Brocade uses are not prepared in accordance with, and should not be considered an alternative to measurements required by GAAP, such as operating income, net income (loss) and net income (loss) per share, and should not be considered measurements of Brocade's liquidity. The presentation of this additional information is not meant to be considered in isolation or as a substitute for the most directly comparable GAAP measures. In addition, these non-GAAP financial measures may not be comparable to similar measurements reported by other companies.

Cautionary Statement

This press release contains statements that are forward-looking in nature, including statements regarding Brocade's market positioning and opportunities, including continued growth in storage networking and success of our Ethernet products. These statements are based on current expectations on the date of this press release and involve a number of risks and uncertainties which may cause actual results to differ significantly from such estimates. The risks include, but are not limited to, the effect of changes in IT spending levels, market competition and changes in the industry, Brocade's ability to successfully introduce new products and services on a timely basis and capitalize on current or past investments in technologies and go-to-market opportunities, and Brocade's ability to manage its business effectively in a rapidly evolving market. Certain of these and other risks are set forth in more detail in "Item 1A. Risk Factors" in Brocade's Annual Report on Form 10-K for the fiscal year ended October 31, 2009. Brocade does not assume any obligation to update or revise any such forward-looking statements, whether as the result of new developments or otherwise.

About Brocade

Brocade® (NASDAQ GS: BRCD) develops extraordinary networking solutions that enable today's complex, data-intensive businesses to optimize information connectivity and maximize the business value of their data. For more information, visit www.brocade.com.

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BROCADE COMMUNICATIONS SYSTEMS, INC.
GAAP CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)
(unaudited)

	Three Months Ended	
	January 30, 2010	January 24, 2009 (1)
Net revenues		
Product	$ 449,086	$ 362,600
Service	90,406	68,991
Total net revenues	539,492	431,591
Cost of revenues		
Product	192,572	151,191
Service	49,477	37,985
Total cost of revenues	242,049	189,176
Gross margin	297,443	242,415
Operating expenses:		
Research and development	90,081	68,451
Sales and marketing	90,366	73,166
General and administrative	16,239	18,388
Legal fees associated with indemnification obligations and other related costs, net	301	19,299
Amortization of intangible assets	17,052	13,229
Acquisition and integration costs	204	953
In-process research and development	—	26,900
Total operating expenses	214,243	220,386
Income from operations	83,200	22,029
Interest income and other loss, net	72	(3,811)
Interest expense	(22,073)	(23,279)
Loss on sale of investments and property, net	(8,828)	(864)
Income (loss) before provision for income taxes	52,371	(5,925)
Income tax provision	1,276	17,973
Net income (loss)	$ 51,095	$ (23,898)
Net income (loss) per share – basic	$ 0.12	$ (0.06)
Net income (loss) per share – diluted	$ 0.11	$ (0.06)
Shares used in per share calculation – basic	439,080	376,202
Shares used in per share calculation – diluted	484,262	376,202

(1) As adjusted due to changes to the accounting for convertible debt instruments.

BROCADE COMMUNICATIONS SYSTEMS, INC.
GAAP CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)
(unaudited)

	January 30, 2010	October 31, 2009 (1)
Assets		
Current assets:		
Cash and cash equivalents	$ 496,583	$ 334,193
Short-term investments	4,533	4,678
Restricted cash	12,500	12,502
Total cash, cash equivalents and short-term investments	513,616	351,373
Accounts receivable, net	276,671	297,819
Inventories	72,753	72,152
Deferred tax assets	75,691	84,629
Prepaid expenses and other current assets	61,874	79,302
Total current assets	1,000,605	885,275
Property and equipment, net	439,642	442,408
Goodwill	1,658,060	1,659,934
Intangible assets, net	435,970	470,872
Non-current deferred tax assets	196,230	184,713
Other assets	46,283	28,218
Total assets	$3,776,790	$3,671,420
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 139,186	$ 181,249
Accrued employee compensation	101,838	160,832
Deferred revenue	175,851	174,870
Current liabilities associated with facilities lease losses	9,474	10,769
Revolving credit facility	14,050	14,050
Current portion of long-term debt	18,539	38,822
Convertible subordinated debt	172,015	169,332
Other accrued liabilities	114,958	105,263
Total current liabilities	745,911	855,187
Long-term debt, net of current portion	376,184	860,114
Senior Secured Notes	595,070	—
Non-current liabilities associated with facilities lease losses	8,983	10,150
Non-current deferred revenue	60,528	60,575
Non-current income tax liability	89,729	92,276
Other non-current liabilities	15,528	15,114
Total liabilities	1,891,933	1,893,416
Stockholders' equity		
Common stock	443	434
Additional paid-in capital	1,962,279	1,901,238
Accumulated other comprehensive loss	(11,215)	(5,920)
Accumulated deficit	(66,650)	(117,748)
Total stockholders' equity	1,884,857	1,778,004
Total liabilities and stockholders' equity	$3,776,790	$3,671,420

(1) As adjusted due to changes to the accounting for convertible debt instruments.

BROCADE COMMUNICATIONS SYSTEMS, INC.
GAAP CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months Ended January 30, 2010 and January 24, 2009
(in thousands)
(unaudited)

	Three Months Ended	
	January 30, 2010	January 24, 2009 (1)
Cash flows from operating activities:		
Net income (loss)	$ 51,095	$ (23,898)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Excess tax benefit from employee stock plans	—	336
Depreciation and amortization	51,012	39,754
Loss on disposal of property and equipment	8,813	558
Amortization of debt issuance costs and debt discount	6,663	3,545
Net losses on investments and marketable equity securities	168	860
Provision for doubtful accounts receivable and sales allowances	3,043	2,271
Non-cash compensation expense	21,523	18,080
Capitalization of interest cost	(3,315)	(2,043)
In-process research and development	—	26,900
Changes in assets and liabilities:		
Restricted cash	2	—
Accounts receivable	18,104	(12,044)
Inventories	(601)	14,397
Prepaid expenses and other assets	4,982	(2,228)
Accounts payable	(39,735)	(64,080)
Accrued employee compensation	(67,155)	(47,057)
Deferred revenue	935	17,681
Other accrued liabilities	16,036	26,521
Liabilities associated with facilities lease losses	(2,463)	(3,321)
Liability associated with class action lawsuit	—	(160,000)
Net cash provided by (used in) operating activities	69,107	(163,768)
Cash flows from investing activities:		
Purchases of property and equipment	(47,317)	(35,818)
Purchases of short-term investments	(24)	—
Proceeds from maturities and sale of short-term investments	1	136,297
Proceeds from sale of property	30,185	—
Proceeds from maturities and sale of long-term investments	—	30,058
Decrease in restricted cash	—	1,075,079
Net cash paid in connection with acquisitions	—	(1,297,482)
Net cash used in investing activities	(17,155)	(91,866)
Cash flows from financing activities:		
Payment of senior underwriting fees related to the term loan	—	(30,525)
Payment of principal related to the term loan	(506,545)	—
Proceed from senior secured notes	587,968	—
Excess tax benefit from employee stock plans	—	(336)
Proceeds from issuance of common stock, net	30,031	8,548
Proceeds from revolving credit facility	—	14,050
Net cash provided by (used in) financing activities	111,454	(8,263)
Effect of exchange rate fluctuations on cash and cash equivalents	(1,016)	51
Net increase (decrease) in cash and cash equivalents	162,390	(263,846)
Cash and cash equivalents, beginning of period	334,193	453,884
Cash and cash equivalents, end of period	$ 496,583	$ 190,038
Supplemental Schedule of non-cash investing activities:		
Fair value of stock options and unvested awards assumed in exchange for acquired Foundry assets	$ —	$ 254,312

(1) As adjusted due to changes to the accounting for convertible debt instruments.

BROCADE COMMUNICATIONS SYSTEMS, INC.
RECONCILIATION BETWEEN GAAP AND NON-GAAP NET INCOME
(in thousands, except per share amounts)
(unaudited)

	Three Months Ended	
	January 30, 2010	January 24, 2009 (1)
Net income (loss) on a GAAP basis	$ 51,095	$ (23,898)
Adjustments:		
Stock-based compensation expense included in cost of revenues	4,517	3,308
Amortization of intangible assets expense included in cost of revenues	17,850	11,968
Legal fees associated with certain pre-acquisition litigation	299	—
Total gross margin adjustments	22,666	15,276
Legal fees associated with indemnification obligations and other related costs	301	19,299
Stock-based compensation expense included in research and development	6,183	5,341
Stock-based compensation expense included in sales and marketing	8,096	6,190
Stock-based compensation expense included in general and administrative	2,727	3,242
Amortization of intangible assets expense included in operating expenses	17,052	13,229
Acquisition and integration costs	204	953
In-process research and development	—	26,900
Total operating expense adjustments	34,563	75,154
Total operating income adjustments	57,229	90,430
Loss on sale of property	8,783	—
Acquisition-related financing charges	—	4,366
Interest expense related to adoption of new standards relating to convertible debt instruments	2,142	1,922
Income tax effect of adjustments	(25,239)	(9,265)
Non-GAAP net income	$ 94,010	$ 63,555
Non-GAAP net income per share – basic	$ 0.21	$ 0.17
Non-GAAP net income per share – diluted	$ 0.19	$ 0.15
Shares used in non-GAAP per share calculation – basic	439,080	376,202
Shares used in non-GAAP per share calculation – diluted	496,346	415,781

(1) As adjusted due to changes to the accounting for convertible debt instruments.

See explanation of non-GAAP information included herein.

Exhibit 99.2

BROCADE

Q1 FY 2010 Earnings

Prepared Comments and Slides
February 22, 2010

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John Noh
Senior Director, Public Relations
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NASDAQ: **BRCD**

Q1 FY 2010 EARNINGS

February 22, 2010

Prepared comments provided by Peter Ausnit, Sr. Director, Investor Relations

Thank you for your interest in Brocade's Q1 Fiscal 2010 Earnings Presentation, which includes prepared remarks, slides, and a press release detailing fiscal first quarter 2010 financial results. The press release was issued shortly after 1:00 p.m. Pacific time on February 22, 2010, via Business Wire and First Call. The press release, along with these prepared comments and slides, has been made available on Brocade's Investor Relations website at www.BRCD.com and has been furnished to the SEC on Form 8-K.

Cautionary Statements and Disclosures

Please see risk factors on Form 10-K for the year ended 10/31/09

This presentation includes forward-looking statements regarding Brocade's financial results, cash and debt positions, plans and business outlook, which are only predictions and involve risks and uncertainties such that actual results may vary significantly. These and other risks are set forth in more detail in our Form 10-K for the fiscal year ended October 31, 2009. These forward-looking statements reflect beliefs, assumptions, outlook, estimates and predictions as of today, and Brocade expressly assumes no obligation to update any such forward-looking statements.

In addition, this presentation includes various third party estimates regarding the total available market and other measures, which do not necessarily reflect the view of Brocade. Further, Brocade does not guarantee the accuracy or reliability of any such information or forecast.

This presentation includes non-GAAP financial measures. The most directly comparable GAAP information and a reconciliation between the non-GAAP and GAAP figures are provided in our Q1 10 press release, which has been furnished to the SEC on Form 8-K, and in this slide presentation.

The information in Brocade's prepared comments includes forward-looking statements, including without limitation, statements about Brocade's financial results, cash and debt positions, plans and business outlook. These forward-looking statements are only predictions and involve risks and uncertainties such that actual results may vary significantly. These and other risks are set forth in more detail in Brocade's Form 10-K for the fiscal year ended October 31, 2009. These forward-looking statements reflect beliefs, assumptions, outlook, estimates and predictions as of today, and Brocade expressly assumes no obligation to update any such forward-looking statements.

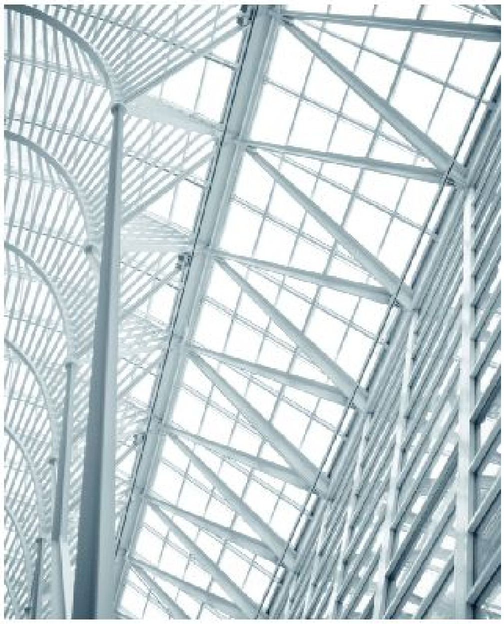
Certain financial information is presented on a non-GAAP basis. The most directly comparable GAAP information and a reconciliation between the non-GAAP and GAAP figures are provided in the accompanying press release, which has been furnished to the SEC on Form 8-K and posted on Brocade's website, and is included in the appendix to this presentation.

Agenda

Prepared comments followed by live Q&A call

Mike Klayko
CEO

Richard Deranleau
CFO



Today's prepared comments include remarks by Mike Klayko, Brocade's CEO, regarding the company's quarterly results, its strategy and a review of operations, as well as industry trends and market/technology drivers related to its business; and by Richard Deranleau, Brocade's CFO, who will provide a financial review.

A live question-and-answer conference call will be web cast beginning at 2:30 p.m. Pacific time on February 22nd at www.BRCD.com and will be archived on Brocade's Investor Relations website for approximately 12 months. Participants are invited to submit questions via email at ir@brocade.com up to 30 minutes prior to the conference call and to ask live questions during the call.

Fiscal 2010: Q1 Earnings

Mike Klayko, CEO

CEO Mike Klayko's prepared comments

Executive Overview

Balanced business model enables continued execution

Q1 results

- $539.5M revenues
- 59.3% non-GAAP gross margin*
- $0.19 non-GAAP EPS*
- $154.7M adjusted EBITDA

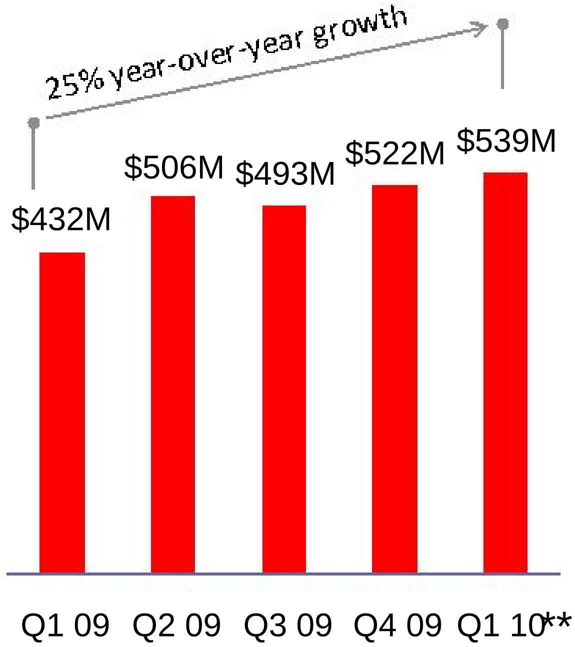
Storage

- Strong growth, increasing share
- Strategic and financial platform

Ethernet

- Focus on direct account acquisition and penetration: over 750 new accounts to date

Quarterly Revenues



* Note: Non-GAAP, please see GAAP reconciliation in appendix

** Note: Q1 2010 is the fourth full quarter of combined operations post-Foundry acquisition

Brocade reported Q1 revenues of $539.5M, with non-GAAP EPS of $0.19, adjusted EBITDA of $154.7M and non-GAAP gross margins of 59.3%. Q1 was the 18th consecutive quarter that Brocade exceeded non-GAAP EPS consensus expectations, demonstrating the successful execution of our strategy that leverages operational excellence and a diversified business model across geographies, market segments and go-to-market routes.

This business model is driven by our two key markets, namely our core Storage Networking business and our newer Ethernet business, which we acquired in Fiscal 2009. During the quarter our Storage Networking business grew a very healthy 16.3% sequentially. We believe our success in Storage Networking provides a robust strategic and financial platform for our Ethernet business as we build upon our product portfolio and account penetration in that market. The high level of customer satisfaction and our reputation in Storage Networking helps open doors to accounts at the highest levels and provides us with new opportunities to sell our Ethernet product portfolio along with the resources to build out our distribution model to increase share in this multi-billion dollar market.

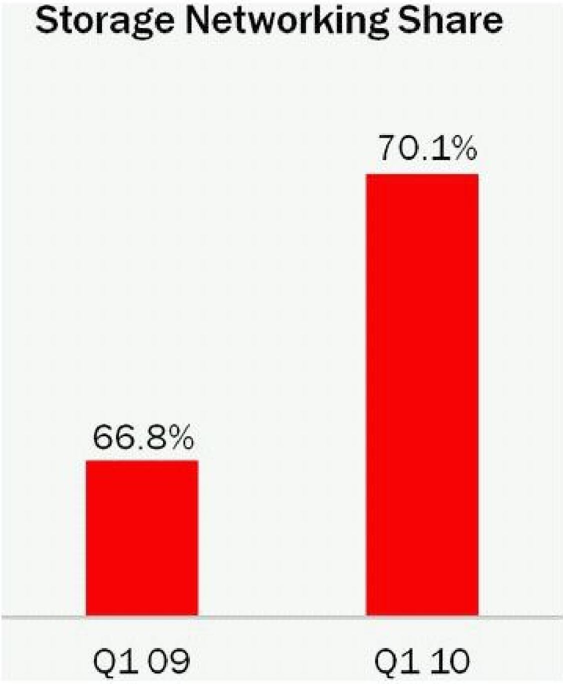
It is clear, however, that we have some work to do in growing our Ethernet business to the levels we expect. In short, our Ethernet business did not meet our revenue expectations, largely due to lower-than-expected revenues from Federal customers and slower-than-anticipated development in our go-to-market routes. However, we have focused on the issues behind these results and have taken immediate steps to rectify them. We faced and successfully overcame similar challenges when we entered the Fibre Channel business more than a decade ago. At that time, we recognized that product superiority and channel presence alone are not sufficient to drive revenues. We needed and established customer intimacy by evangelizing our technologies, solutions and expertise to customers and channel decision makers.

Leveraging this experience, Brocade is accelerating its strategy and redeploying resources to drive direct account acquisition and penetration in our Ethernet business. Our stated strategy is to focus on new account penetration and to have 1000 new Ethernet accounts by the end of 2010. As we exited Q1, we are on track to exceed this goal. Building share requires sustained effort; and we expect success to take time, but we have planted flags throughout the Global 2000, and are confident in our resources, vision and commitment to succeed.

I will discuss the lessons of the quarter and our go-forward strategies in more depth but first I would like to provide more details about the quarter.

Increasing Storage Networking Market Share

Reputation, performance, 8 Gbps, and Fibre Channel drive results



Source: Brocade estimates

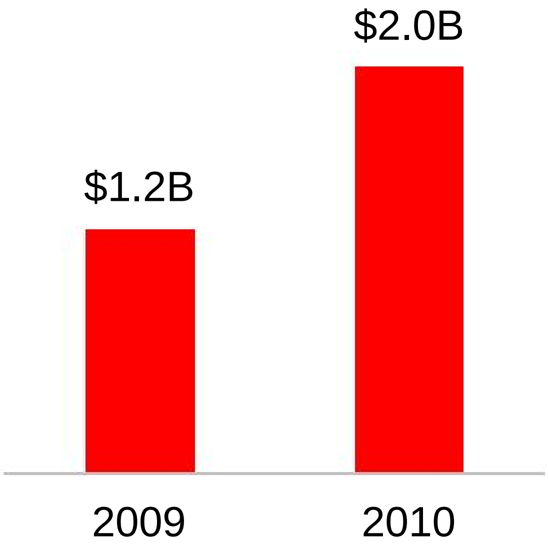
Looking a bit deeper into our performance in Storage Networking, it was clear that we continued to accelerate that business, reaching an estimated 70.1% market share in Q1 FY 2010, up from 66.8% in Q1 FY 2009. Market share tends to fluctuate, but our remarkably consistent gains in the last dozen quarters reflect customer loyalty, earned by delivering the most reliable products in the data center—bar none. Customers regularly cite our reliability, which is paramount to their success, as their key decision criteria. In addition, they also value our openness, product density, speed, and power/cooling efficiency, and overall best value.

Our success in Storage Networking aligns with increasing demand for Fibre Channel, which accounts for over 90% of current RFPs we are involved with and continues to grow because Fibre Channel is the solution of choice to manage ever-growing storage needs thanks to proven reliability, superior scalability and significant price/performance advantages. Brocade's strategy allows customers to invest in our current Fibre Channel portfolio with confidence, knowing that we have a well-developed, standards-based roadmap to emerging technologies and architectures. These attributes enable customers to choose when and how to evolve their data center infrastructures.

Increasing Storage Demand

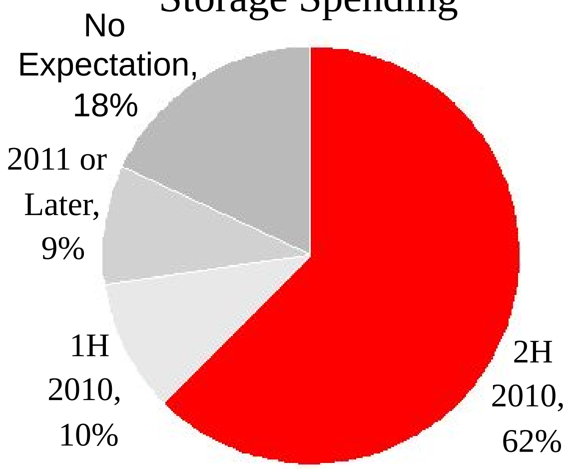
Accelerating in 2010 following introduction of native 8 Gbps arrays

8 Gbps Fibre Channel TAM



Source: Dell'Oro Group

Percent of CIOs Stating When They Plan to Increase Storage Spending



Source: Morgan Stanley CIO Survey, January 2010, n=90-150

Accelerating Storage Networking demand aligns with our view of the strengthening of the entire IT market, corroborated by Forrester Research, which, in January, predicted that global IT spending will grow by an estimated to 8.1% in 2010, up from 4.9% previously.

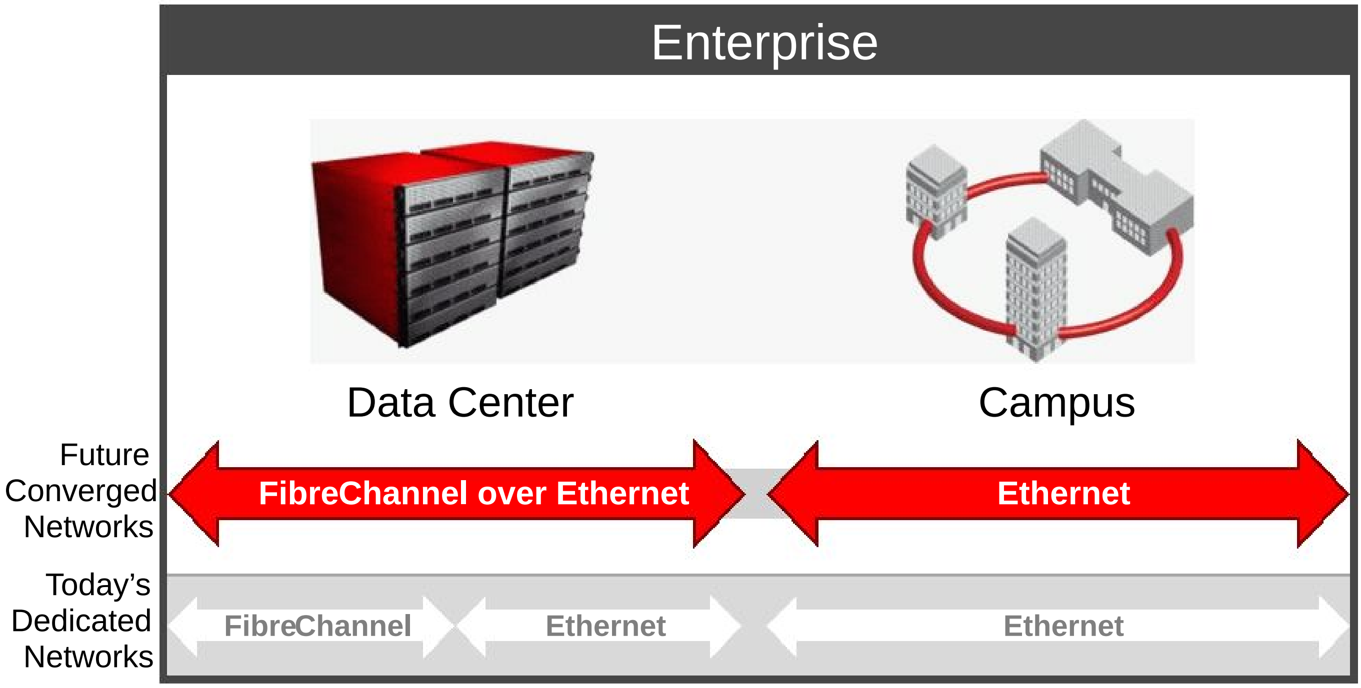
Looking at our Storage Networking mix, our strong performance is fueled by the continuing migration to 8 Gigabit Fibre Channel, reflected by the fact that our 8 Gig Fibre Channel revenues more than doubled on a sequential basis. Analysts agree that the transition to 8 Gig Fibre Channel is in full ramp. For example, the Dell'Oro Group estimates that 8 Gig Fibre Channel spending will increase sharply in 2010, reaching $2.0B, up from $1.2B in 2009. Additionally, TheInfoPro recently surveyed Storage Networking end-users at Fortune 1000 firms who ranked 8 Gig Fibre Channel as one of the highest priority budget items in 2010, with 46% of these respondents indicating plans to increase spending on 8 Gig Fibre Channel this year. The good news for Brocade is that customers view us as the vendor-of-choice in 8 Gig Fibre Channel. Fibre Channel momentum also continues among our partners with the recent and planned introductions of native 8 Gig Fibre Channel arrays from major OEMs including EMC, HDS and IBM.

As strong as Storage Networking was in Q1, we believe that the second half outlook continues to improve based on indications from partners, feedback from our field sales force, and from analysts covering the space. Morgan Stanley recently reported that storage utilization is unsustainably high. Additionally, their January survey of CIOs indicated that over 60% expect to increase storage spending in the second half of 2010, in part driven by the resumption of delayed projects. This is a sharp increase from the October survey results. Similarly, The Enterprise Strategy Group (ESG) reported that enterprise customers expect to significantly increase spending on both storage and networking hardware in 2010 versus 2009. Specifically, ESG is predicting that customers will increase network hardware spend by 17% and storage hardware spend by 16%. Lastly, the Federal government is looking to achieve IT productivity comparable to levels found in the private sector, and has announced plans to consolidate a meaningful number of its more than 1000 data centers in the coming year.

These spending trends bode well for Brocade and our partners.

Data Center Convergence

Enables access to Enterprise Data Center and Campus Ethernet



Looking forward, Brocade believes that converged architectures will assume a role in the Next-Generation Data Center, supporting higher levels of virtualization that will drive scale, efficiencies and performance. Interestingly, the Gartner Group supports Brocade's view that Fibre Channel will continue to play a significant role as a technology of choice in Next-Generation Data Center architectures. In a survey of attendees at Gartner’s December 2009 Data Center Conference, two-thirds cited Fibre Channel as the "most important" data center networking technology for virtualized data centers. Gartner attributed this to IT professionals' preference for proven, high-performance technologies.

When converged networking technologies mature and are widely considered proven, they promise customers both capital and operating cost advantages that can be leveraged to cost effectively meet higher Service Level Agreements. Achieving these efficiencies will require higher levels of virtualization, which will require higher bandwidth and higher storage-attach rates.

Today, Brocade is a leader in bringing converged networking technologies to market and offers several interoperable convergence products, including the Brocade 8000 FCoE Switch, 10 Gigabit Ethernet converged network adapters, and modular options for our DCX Backbones and MLX Series Routers. Customers understand and appreciate our industry-leading, multi-year roadmap of converged data center storage products and regularly rely on Brocade to help future-proof their networks.

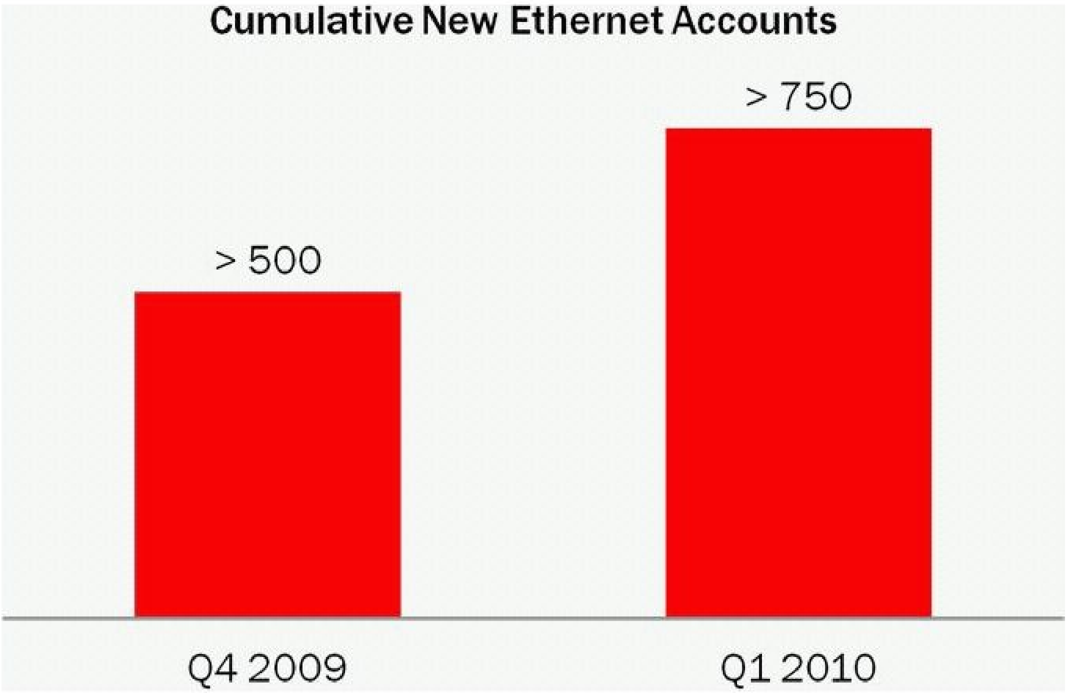
Data Center customers who are interested in our converged networking products are having discussions around openness, availability, cost, performance, standards, interoperability and our roadmap. This opens Next-Generation Data Center Networking discussions, which in turn, highlights their Enterprise LAN/Campus Ethernet needs. These discussions come with a sense of urgency due to their aging Enterprise networks and rising data and network-traffic growth. Customers are seeking guidance from trusted sources to manage bandwidth, device, and virtual machine growth, which is taxing legacy architectures.

Enterprise accounts, large and small, drive three-fourths of total campus Ethernet spending and, as a leading Data Center Networking provider, with the trust and confidence of Global 2000 Enterprise customers, Brocade is being invited to compete for both our share of Next-Generation Data Center Networking opportunities and an increasing share of Enterprise Campus opportunities.

Brocade expects to gain Ethernet share in Next-Generation Data Centers based on our leadership position bringing open, converged networking solutions to the market. However, penetrating this segment will take time.

New Ethernet Account Growth

Securing footholds, moving from lab trials to applications



As mentioned, new Enterprise Ethernet account penetration is a cornerstone of our growth strategy. Discussions in Fiscal 2009 led to over 500 new direct Ethernet accounts, many of which are engaged in proof-of-concepts and lab trials at deal sizes that have been smaller than initially expected. As of Q1, we have now opened over 750 such new accounts, many of which are conducting trials that we expect to move out of labs and into production, targeting a single application as a first step. These migrations typically take 6 to 9 months per phase, again somewhat longer than initially expected. Our end goal is to be positioned as an approved vendor after 12 to 18 months. Once validated, we expect to see strong traction in these accounts through choice and value in terms of price, performance and feature sets.

Some say "experience is the greatest teacher" and Q1 highlighted several lessons that now shape our go-forward Ethernet sales strategy:

First, Brocade must drive demand via customer intimacy, whether that demand is fulfilled directly, via the channel, or an OEM partner.

Second, OEM partners continue to ramp; however, more slowly than previously expected. Going forward, Brocade will prioritize driving end-customer demand for our OEM partners directly.

Third, lengthy Enterprise sales cycles are a fact-of-life, and we must be prepared to go the distance. We are.

Fourth, Brocade must maintain focus on traditional, "Classic Foundry" accounts, and is investing in demand-generation and inside sales-programs tailored to these accounts.

Finally, executing a more direct sales model will require additional direct sales resources which we have begun deploying.

Ethernet Customer Announcements

Innovative companies and organizations choose Brocade

M Resort Las Vegas	UMS-Wright Prep School
BOK Center	Province of Bergamo
Grass Roots Group	Royal College of Physicians
Hostway	Savannah College of Art & Design

Brocade’s Enterprise account acquisition and penetration strategy is ongoing and has already translated into key wins in some of the most innovative deployments of networking technology today, including the M Resort, which has positioned itself as the most technologically advanced resort in Las Vegas by having rolled out quad play (video, voice, data, mobility) services over a Brocade network that touches virtually every one of the resort’s business operations. Another example is the 10 Gigabit Ethernet deployment at the UMS-Wright Preparatory School, which has leveraged Brocade networking technologies to become one of the most technologically ambitious educational institutions in the United States.

These are clear indications that smart, innovative companies and organizations are turning to Brocade to help transform and enhance their businesses and operations by leveraging the full potential of cutting-edge networking technologies, which gives me great optimism for our Ethernet business going forward.

And with recent reports from Goldman Sachs and TheInfoPro showing that an increasing percentage of CIOs and other senior IT executives will be looking to refresh their aging network hardware some time in 2010, we believe we're well positioned to win many more deals that demonstrate the value of Brocade's networking technologies and expertise.

Ethernet Innovation

Market-leading performance

NetIron® CER 2000 Series MPLS Router

•Double the capacity of competing products

ServerIron® ADX Series Application Delivery Controllers

•Secure, high-performance e-commerce transactions

FCX® Series Switch

•Price/performance leader in category

BROCADE + McAfee

Brocade/McAfee Partnership

•Fully interoperable end-to-end network security solution

We continue to support our Ethernet growth plans through continuous innovation and new product introductions. An example of this was our introduction of the NetIron® CER 2000 Series MPLS Router, which has double the routing capacity and triple the performance capabilities of competing products. More recently, we introduced the latest version of the ServerIron® ADX Series application delivery controllers, which feature twice the performance of competing products in a key application used in secure, high-speed e-commerce transactions. In addition, recently, we announced a strategic partnership with McAfee, the worldwide leader in IT security, to deliver a broad set of fully interoperable end-to-end network security solutions. Lastly, we introduced a data center version of the FCX Series Switches, which establishes it as the price/performance leader in its category.

Other Achievements

Executing towards long-term goals

- Restructured balance sheet
  - Optimizing capital structure
  - Increased operating flexibility
- Cited as one of Fortune's 100 Best Companies
  - Confidence, satisfaction, trust and pride
  - Retention, recruiting, and productivity benefits

Beyond innovations, customer wins and financial success, Brocade also achieved two major milestones: First, we successfully accessed the debt market, which diversified our funding sources and significantly moved Brocade towards its optimal, long-term capital structure. Second, we were recognized as one of the "100 Best Companies to Work For", ranking 61st on Fortune Magazine's list, which reflects our employees' confidence, satisfaction, trust and pride in Brocade. Being nationally recognized by Fortune Magazine comes after being recognized last May as the best technology company to work for in Silicon Valley by the Silicon Valley Business Journal.

These and other data-points are measures of the health of our ecosystem and our workforce, which is our most valuable asset and the critical determinant of the long-term success of any organization.

Developing talent and creating the conditions and resources to succeed requires long-term vision and commitment. Year in and year out, Brocade both anticipates and adapts to change while running its playbook. To do so, we have invested and continue to invest across the board: in innovation, distribution, brand building and our employees, who operate within a pragmatic, disciplined culture that wins against larger competitors who have more resources and larger customer-install bases. Brocade employees are justifiably proud of their achievements, but by no means complacent, and understand that the quarter just ended demonstrated both our strengths as well as areas where we need to step up to achieve the milestones ahead of us.

CEO Summary

Compelling opportunity

- 1 of 2 end-to-end networking companies worldwide
- Robust demand drives stronger-than-expected storage performance and outlook
- Diversified, balanced business model
- Executing towards long-term vision
- Strong financial results

As one of only two end-to-end networking vendors, Brocade's growth opportunity is compelling. More than ever, Brocade moves forward focused on execution by meeting our customers' needs, enabling choice and bringing innovation to networking markets worldwide. Brocade's financial performance remains strong affording opportunities to invest, both to maintain storage leadership, and to grow our Ethernet business.

Based on the last few quarters, Brocade is taking a pragmatic view of the current year and now targets revenue growth of 8-12% in 2010 driven by (1) IT spending growth, especially in storage,
(2) increasing our focus on Ethernet account acquisition, and (3) our ability to innovate, all of which are expected to contribute to strong second half results. Our outlook reflects healthy growth over fiscal year 2009 based on robust demand and our ability to execute our diversified, balanced business model and growth strategies.

Q1 FY 2010 Financials

Richard Deranleau, CFO

Q1 Financial Highlights

Balanced model, high margins, and highly variable cost structure

- Revenues
  - Storage networking grew 16.3% seq., partially offsetting lower Ethernet revenues
  - Sequential growth in EMEA and Americas
  - Strong performance from storage OEMs
- Margins within or exceeding long-term model
  - Non-GAAP gross margins of 59.3%*, operating margin of 26%*
- Strengthening balance sheet
  - Operating cash flows and adjusted EBITDA remain strong
  - Lower net debt
  - Restructured balance sheet with amended debt covenants that provide greater flexibility

* Note: Non-GAAP, please see GAAP reconciliation in appendix

In Q1 Brocade benefited from its diversified model, high margins and highly-variable cost structure to turn in record Adjusted EBITDA and strong EPS (both Non-GAAP and GAAP) ahead of consensus.

Turning first to revenues, Q1 revenues increased $17.7M sequentially, or 3.4%, reaching $539.5M, and were up 25% year to year. We saw significant demand in our Storage Networking business, which grew 16.3% sequentially, and partially offset sequentially lower Ethernet revenues, which decreased 25.7% quarter to quarter.

Non-GAAP Gross Margins of 59.3% were within our Long Term Model. The sequential decrease was driven by one-time charges in our Global Services supply chain.

Non-GAAP Operating Margins of 26% exceeded our Long Term Model reflecting once again the operating leverage in our model.

Brocade's balance sheet continues to strengthen, thanks to continuing strong cash flows from operations and record Adjusted EBITDA. These cash flows, and the sale of our Skyport property, helped reduce net debt again in the quarter. In addition, Brocade restructured its balance sheet and amended its Term Debt Covenants to provide greater flexibility and lower our cost of capital.

Key Financial Metrics

Strong profitability

	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010
Revenue	$431.6M	$506.3M	$493.3M	$521.8M	$539.5M
Non-GAAP gross margin*	59.7%	56.2%	58.2%	59.5%	59.3%
Non-GAAP EPS*—diluted	$0.15	$0.11	$0.12	$0.15	$0.19
GAAP EPS—diluted**	($0.06)	($0.17)	($0.06)	$0.07	$0.11

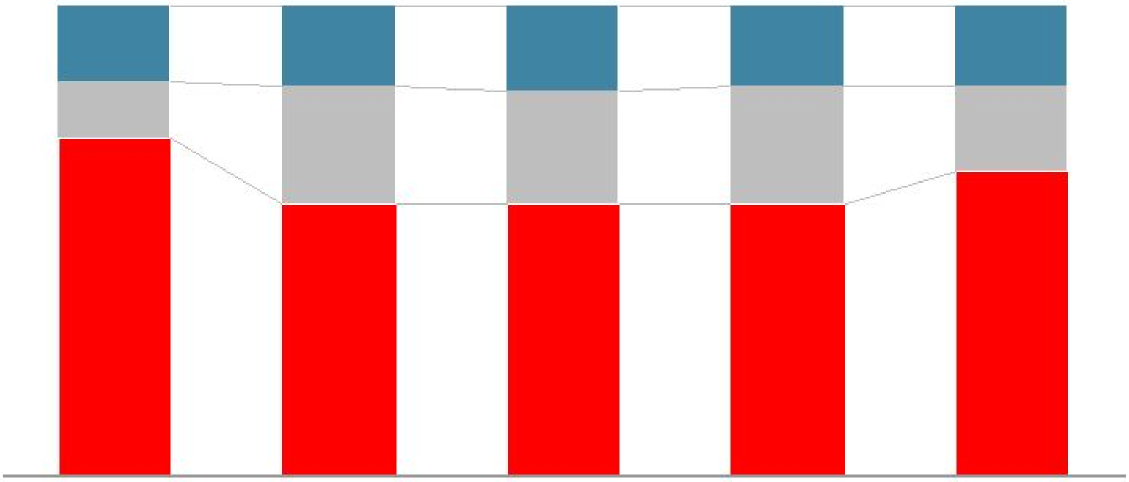
* Note: Non-GAAP, please see GAAP reconciliation in appendix

** Note: Adjusted due to new accounting standards relating to convertible debt instruments

Our Key Financial Metrics show continued strong revenue, non-GAAP gross margin, and non-GAAP and GAAP EPS performance.

Revenue: Storage, Ethernet, and Services*

Storage increases to 65% of revenues



	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10 *
Services	16%	17%	18%	17%	17%
Ethernet	12%	25%	24%	25%	18%
Storage	72%	58%	58%	58%	65%

* Note: Q1 2010 is the fourth full quarter of combined operations post-Foundry acquisition

Turning to revenues by business unit. Storage strengthened to 65% of revenues in Q1 versus 58% in Q4.

The storage portfolio performed very well, both from a product and channel perspective with strength across the board. Migration to 8 Gig Fibre Channel continued to accelerate during the quarter, with identifiable 8 Gig Fibre Channel Director shipments increasing over 145% sequentially and now representing 77% of identifiable Director shipments. For Switches, identifiable 8 Gig shipments increased 82% and now represent 54% of total Identifiable Switch shipments. For reference, identifiable shipments are those shipments where Brocade ships Optics with the director/switch units.

Data Storage ASP sequential declines were in the low single digits.

Our server product group, consisting of CNA's, Embedded Switches, HBA's, and Mezzanine Cards, grew strongly and generated over $45.7M in the quarter, up 22% sequentially from $37.5M in Q4, driven by strong performance in embedded switches, while HBA/CNA revenues where roughly flat.

Our Ethernet business declined 25.7% sequentially and represented 18% of revenues in the quarter, versus 25% in Q4.

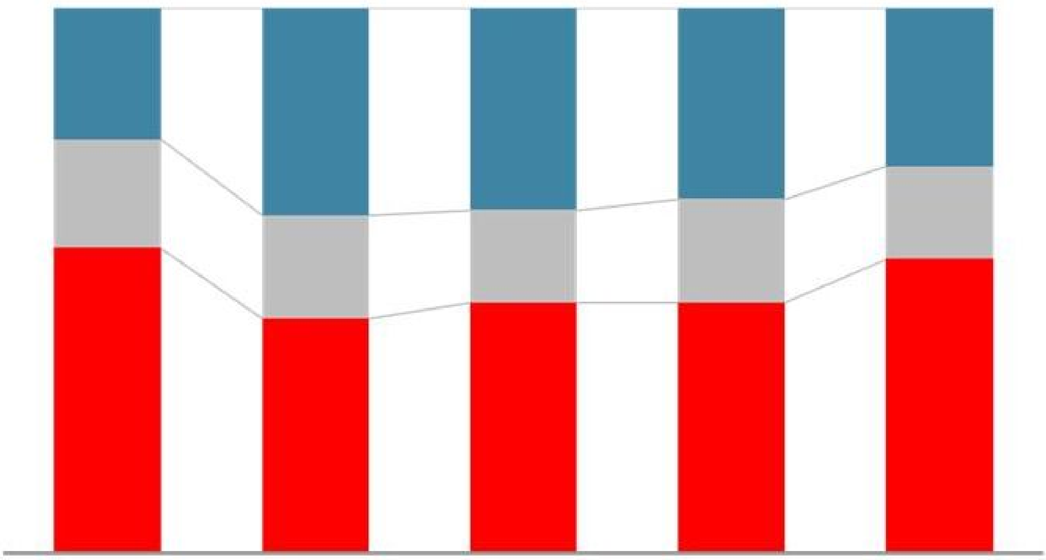
Ethernet Revenues performance was mixed. On a positive note, US Enterprise (non-Government) revenues increased 8% quarter over quarter, including services, to $75 million. Also, our Stackable products, which are typically sold into LAN/Campus environments, were also up by 7% quarter over quarter, including services, to $48.3 million.

However, our revenues from our US Federal business were significantly down sequentially by $26.7 million quarter-over-quarter, including services. The Federal under performance was due in part to delays to the US Defense appropriations bill, which was signed in mid-December instead of late November as previously expected. Additionally, our Data Center Ethernet revenues did not grow as anticipated for the reasons noted by Mike earlier.

Separately, our Services business represented 17% of revenues, versus 16% in the prior year's first quarter. On a sequential basis, Services grew 1% and grew 31% year-over-year.

Revenue: 10% Customers, Other OEM, Channel/Direct

Increasing share from large OEM partners



	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10*
Channel/Direct	24%	38%	37%	35%	29%
Other OEM	20%	19%	17%	19%	17%
10% Customers	56%	43%	46%	46%	54%

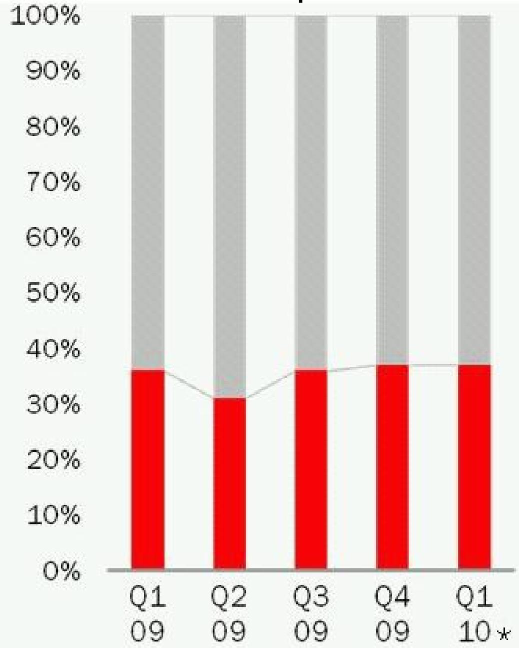
* Note: Q1 2010 is the fourth full quarter of combined operations post-Foundry acquisition

10% customers, in the aggregate, remained consistent with prior quarters, with EMC, IBM and HP all contributing more than 10% of revenues individually. Collectively, our top 3 OEMs contributed 54% of revenues in Q1 versus 46% in Q4. Other OEMs were 17% revenues in Q1 versus 19% in Q4. Channel and Direct were 29% of revenues in Q1 versus 35% in Q4. The primary driver of the mix shift towards OEM revenues was higher Storage Networking revenues as a percentage of total revenues.

Domestic and International Reported Revenue vs. Demand

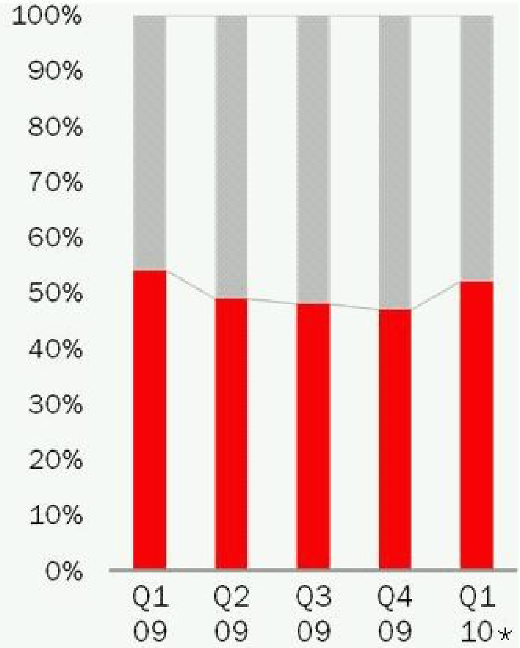
Stronger non-US demand

Reported Revenue on a Ship-to Basis



	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10*
Domestic	64%	69%	64%	63%	63%
International	36%	31%	36%	37%	37%

Demand by Estimated End User Location



	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10*
Domestic	46%	51%	52%	53%	48%
International	54%	49%	48%	47%	52%

* Note: Q1 2010 is the fourth full quarter of combined operations post-Foundry acquisition

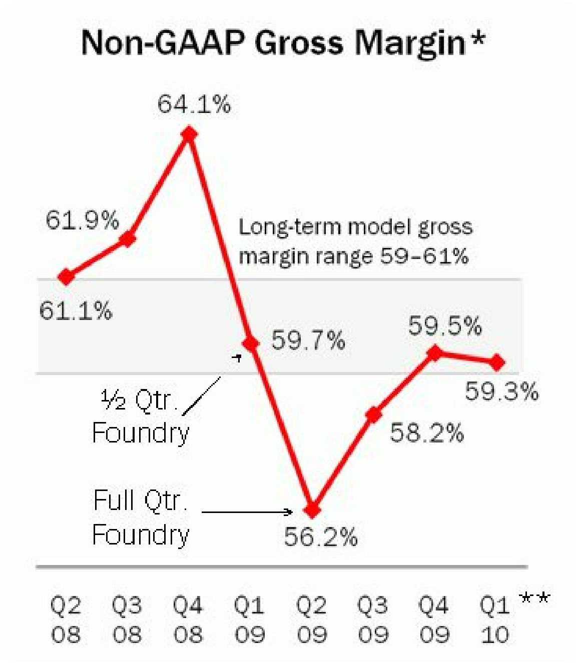
Turning to geography. As reported, on a ship-to basis, the US represented 63% of revenues in Q1 10, consistent with 63% in Q4 09 and down slightly from 64% in Q1 09.

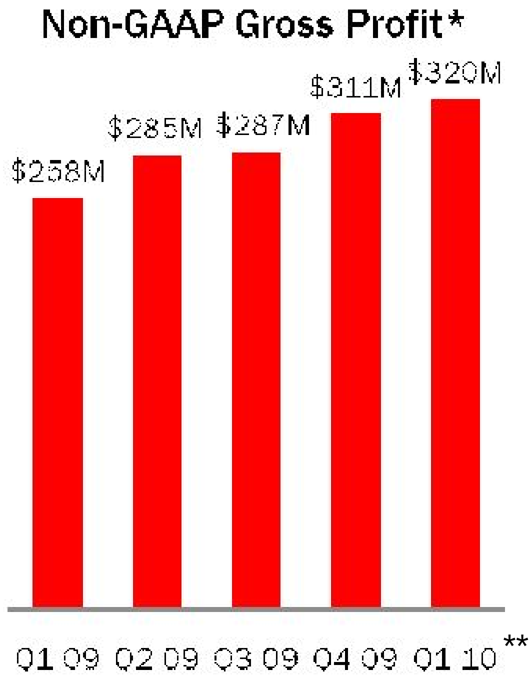
On an estimated end-user basis adjusting for those partners who take delivery of internationally bound products in the US, the US declined to 48% of total revenues in Q1 10, down from 53% in Q4 09, and up from 46% in Q1 09.

EMEA was in line with our expectations, showing a 6.1% sequential improvement, APAC and Japan were slightly below our expectations, and in total, APAC/Japan was down slightly on a sequential basis.

Non-GAAP Gross Margin and Gross Profit

Strong margins and profitability





* Note: Non-GAAP, please see GAAP reconciliation in appendix

** Note: Q1 10 is the fourth full quarter of combined operations post-Foundry acquisition

Gross margin, on a non-GAAP basis, remained strong at 59.3% in Q1 10, consistent with 59.5% in Q4 09. Gross margin was positively impacted by higher Storage Networking mix and negatively impacted by reduced Ethernet volumes.

Global Services margins were 47.6% in Q1 10, down from 50.7% in Q4 09, mainly reflecting a one-time charge in the Services supply chain.

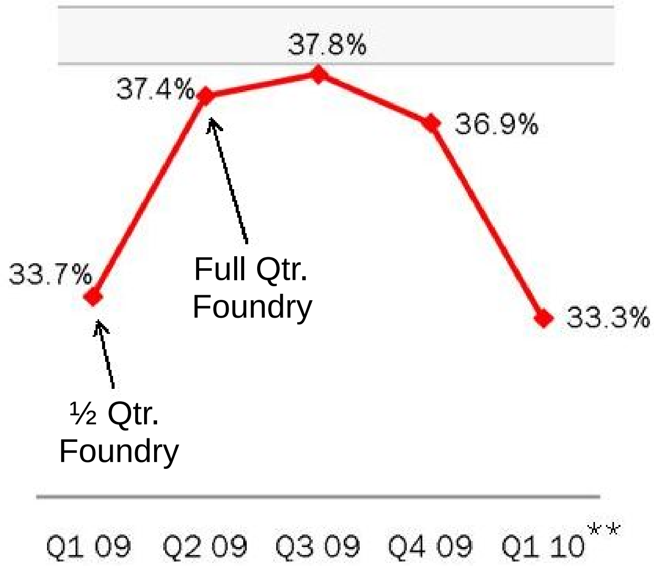
Gross Profits continue to increase due to revenue growth and stable gross margins.

Operating Expenses and Margins

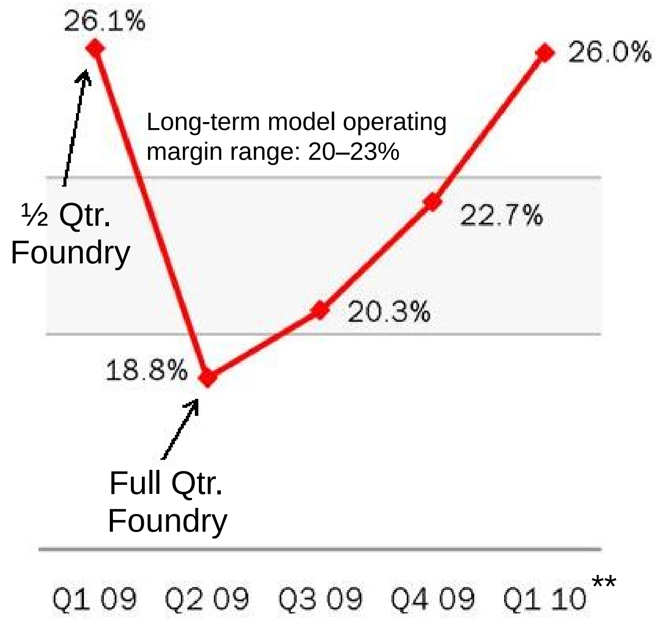
Expense controls drive sequential margin expansion

Non-GAAP Operating Expenses* as a Percentage of Revenues

Long-term model operating expense range: 38–39%



Non-GAAP Operating Margins*



* Note: Non-GAAP, please see GAAP reconciliation in appendix

** Note: Q1 2010 is the fourth full quarter of combined operations post-Foundry acquisition

Mindful of the current economic environment, we continue to work to control operating expenses, which were 33.3% of revenues in Q1 10 versus 36.9% in Q4 09 on a non-GAAP basis. Operating expenses were better than our Long Term Model of 38% to 39% of revenues. At the same time, Brocade continues to selectively invest in its business and added 44 new employees during the quarter, primarily in R&D.

Non-GAAP operating margins improved significantly on a sequential basis to 26% in Q1 from 22.7% in Q4, thanks to top line growth, which generated operating leverage, more than offsetting slight Gross Margin contraction. Non-GAAP Operating Margins exceeded our Long Term Model of 20-23% in the quarter.

Balance Sheet and Cash Flow Highlights as of January 30, 2010

Cash flows enable de-leveraging and reinvestment

	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010
Cash from operations	($163.8M)	$107.3M	$16.6M	$155.3M	$69.1M
Campus capital expenditures	$23M	$22M	$25M	$28M	$31M
Operating capital expenditures	$13M	$16M	$20M	$17M	$17M
Free cash flow	$(200M)	$69M	$(28M)	$110M	$22M
Cash and equivalents	$214M	$237M	$250M	$339M	$501M
Debt payments	$0M	$75.0M	$33.1M	$57.9M	$506.5M
Senior secured debt	$1.11B	$1.04B	$1.01B	$0.95B	$1.04B
Adjusted EBITDA*	$136.7M	$119.9M	$119.3M	$130.0M	$154.7M
Senior secured leverage ratio	2.07x	1.96x	1.94x	1.87x	1.99x
Covenant	2.3x	2.3x	2.3x	2.3x	2.5x

* Note: As defined in the term debt credit agreement

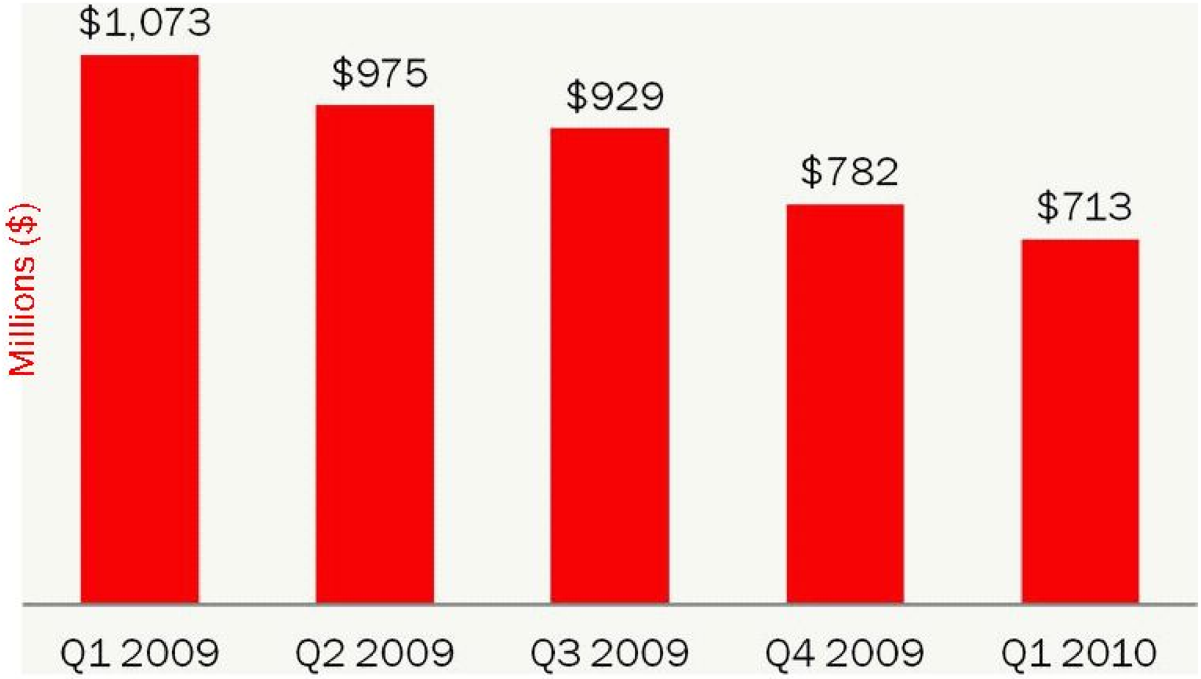
Cash from operations was $69.1M in Q1, which is quite strong from a seasonal perspective, as Q1 and Q3 are typically weaker cash flow quarters. This strength reflected strong profitability and strong working capital management, particularly in our receivable collection performance. Capital Expenditures in the quarter were $48M, composed of $31M for the campus, which is expected to be completed and occupied during Q3, and $17M for operations. Free Cash Flow was $21.8M in the quarter, which is again, a strong seasonal performance. As a reminder, the bulk of our San Jose leases will mature by October of 2010, at approximately the same time as we occupy the new campus. Once those leases mature, our cash flow will increase by $4M/quarter from reduced lease payments.

Cash and equivalents reached $501M. Excluding the sale of our Skyport property, and the recent notes offering, cash would have been $377M, an increase of $38M sequentially. Debt payments in the quarter totaled $506.5M. Net debt decreased by $69M in the quarter; however Senior Secured Debt increased to $1.04B due to the issuance of new debt ahead of the repayment of the McDATA convert, which occurred on February 16th, 2010.

Adjusted EBITDA in the quarter was a record $154.7M, again, reflecting continued strength of the business. The Sr. Secured Leverage Ratio increased to 1.99x due to the refinancing of a portion of the term loan with longer term notes. The Sr. Secured Debt Coverage Ratio covenant relating to the coverage ratio was amended and relaxed and is now 2.5x, leaving us comfortably in compliance with our term credit agreement.

Net Debt: Defined as Total Debt Less Total Cash

Net debt continues to decline steadily



Since acquiring Foundry last year, Brocade has steadily reduced net debt, defined as Total Debt less Total Cash and Equivalents. Net Debt has declined from $1.073B at the end of Q1 2009 to $713M at the end of Q1 2010, a $360M reduction.

Repaid McDATA Convert on February 16, 2010

Post-quarter cash and debt update

($ Millions, except as noted)	Jan. 24, 2009	Jan. 31, 2010	April 30, 2010*
Cash and short-term invest:	214	501	Approx. 300
Debt:			
McDATA convert	173	173	–
Revolver	14	14	–
Term debt	1,100	427	Approx. 335
8 yr. notes	–	300	300
10 yr. notes	–	300	300
Net debt:	1.1B	0.7B	Approx. 0.6B
Quarterly interest expense**	22.9	19.3	19.2
Note rating	Ba2/BB+	Ba2/BBB-	

* Note: Estimates based on assumptions, including prepayments of term debt and line of credit

** Note: Non-GAAP, please see GAAP reconciliation in appendix

As shown on Slide 24, post the McDATA convertible repayment, which occurred on February 16th, 2010, the balance sheet has improved dramatically from January 2009, immediately after we financed the Foundry acquisition, in terms of both amounts and timing of maturities. This validates the strength of the Brocade business model to generate cash.

Restructured Balance Sheet

Continuing accelerated term debt repayments, which are accretive

- Closed $600M long-term notes on January 20, 2010
  - 2nd debt transaction, notes are investment-rated "BBB-" by S&P and "Ba2" by Moody's
  - 10-year sr. notes yield 7%, 8-year sr. notes yield 6.75%
  - Brocade corporate and debt ratings upgraded by S&P
- Flexible, balanced capital structure
  - Term debt remaining: $427M*
    - No pre-payment penalty
    - Target repaying entire term debt within 8–10 quarters
  - Fixed and floating rate debt with staggered maturities
  - Covenants loosened to allow subordinated debt, higher debt/EBITDA ratios, and limited share buybacks
- Sale/leaseback transaction
  - Monetized low-yielding non-strategic real estate asset located in San Jose, generating $30M
  - Reduced higher-yield term debt while retaining operational flexibility

* Note: As of January 30, 2010

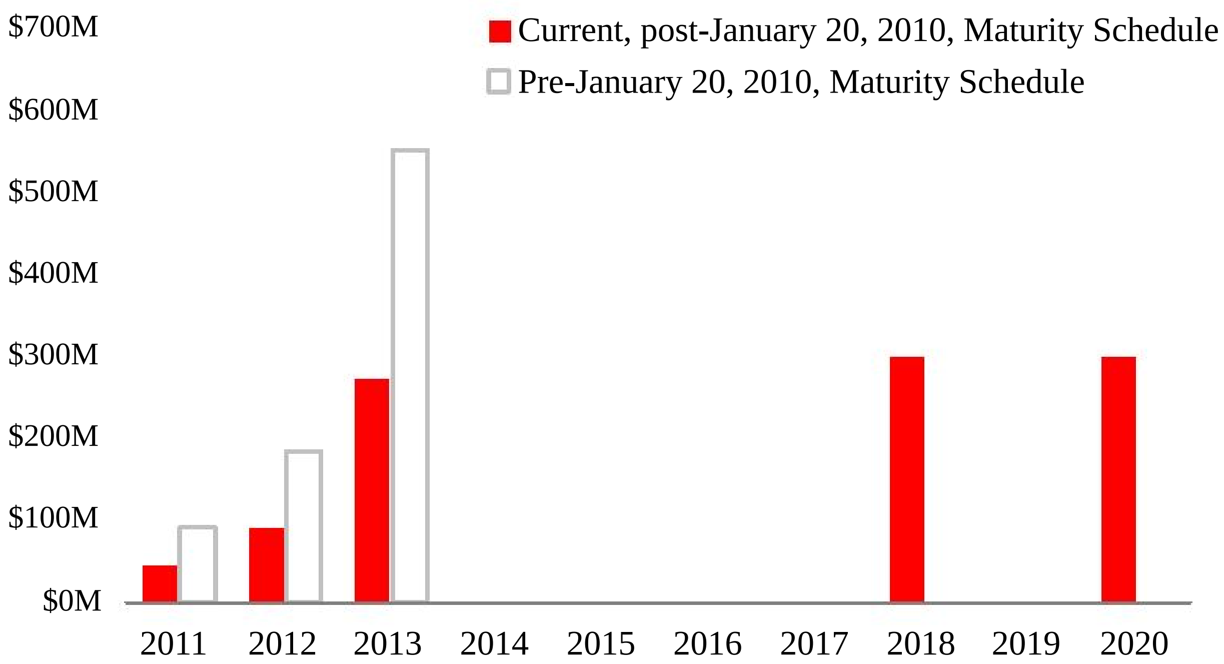
Turning to the details of the Debt transaction…Brocade restructured its balance sheet, replacing approximately $150M of McDATA Convertible Debt due in February and $435M of Term Debt with $600M of long term fixed notes, which were broken into two tranches with $300M maturing in 2018 and $300M maturing in 2020. The new notes were rated BBB- investment-grade by S&P and Ba2 by Moody's, and yield 6.75% and 7%, respectively.

Thanks to this transaction, Brocade now has the balanced, flexible capital structure initially targeted when planning the Foundry acquisition. At that time Brocade targeted long term debt, composed of notes, totaling approximately 1x EBITDA with flexible term debt representing the remainder of the transaction. Now, thanks to progress repaying term debt during the last year, along with the restructured notes, Brocade moves forward with $427M remaining on the term as of January 30, 2010, and $600M of long term notes.

The debt transaction and related Term Debt Amendment substantially reduce covenant related risks, including an increase in the Sr. Secured Debt to Adjusted EBITDA ratio, which increased from 2.3x to 2.5x through Q4 2011, 2.25 in FY 2012 and 2.0 in FY 2013, and also staggers debt maturities, allowing the company to build cash to retire debt in manageable amounts over many years, and opens the door for more strategic options for the company, such as greater investment in the business, increased pay down of debt, limited stock repurchases and other strategic uses.

Restructured Balance Sheet

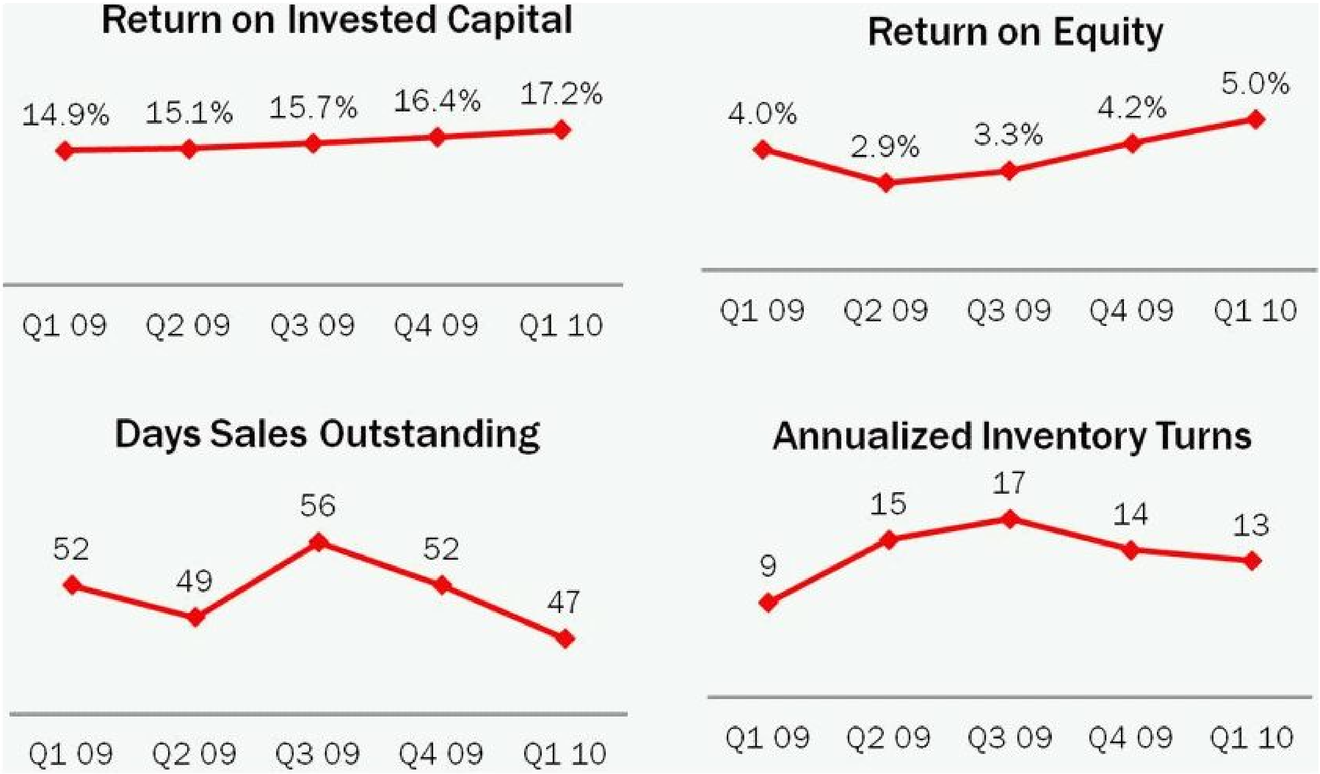
Highly manageable repayment schedule



The new debt maturity schedule is highly manageable over the next decade with much lower near term required debt payments and two relatively distant $300M payments. This compares favorably with the almost $600M maturing in October, 2013 under the prior structure.

Selected Metrics

Continuing ROIC, ROE, and DSO improvement



Return on Invested Capital continued to increase during the year, and in the quarter reached 17.2%. Return on Equity also improved to 5.0%. Days Sales Outstanding (DSO) were 47 days, down from 52 days in Q4, reflecting strong collections. DSO are now within our long term model of 45-50 days. Inventories turned 13 times versus 14 times in Q4. Lower turns are attributed to lower Ethernet product revenues.

FY 2010 Planning Assumptions

Stronger-than-expected Storage Networking demand

- IT market conditions
  - Increasing IT spending, driving higher storage and Ethernet networking spending
  - Improving Enterprise spending throughout the year
- ASP trends
  - Low-to-mid-single digit declines in Storage Networking
  - Mid-single digit declines in Ethernet
- Taxes
  - Improved during the year due to discrete items in Q1, assuming no change to geographic or segment mix, and the extension of the investment tax credit

Now, as we look forward, here are some things to consider in developing your financial models:

Our primary planning assumption, which appears solidly on track, is for global IT spending, and for Storage and Ethernet Networking spending in particular, to continue to recover during the first half of 2010 and to approach normalcy in the second half of 2010.

We expect quarterly ASP declines on the Storage Networking side to remain in the low- to mid-single digits. Declines on the Ethernet side are expected to be in the mid-single digits.

Brocade benefited from discrete items in the quarter, which will positively impact our Non-GAAP tax rate for the rest of the year, assuming no change to either our geographic revenue mix or our Storage/Ethernet mix for the remainder of the Fiscal Year and an extension of the R&D Tax Credit.

FY 2010 Financial Outlook

As of February 22, 2010

Revenue growth	8–12% over FY 2009**
Non-GAAP gross margin*	57–58%
Non-GAAP operating expenses*	Better than model
Non-GAAP operating margin*	In model
Non-GAAP tax rate*	25–26%
Fully diluted shares outstanding	495M–505M
Non-GAAP EPS*	$0.54–$0.58
Operating cash flow	$375M–$400M
Operating capital expenditures	$80M–$85M
Campus capital expenditures	$120M–$125M
Free cash flow	$170M–$195M

* Note: Non-GAAP, please see GAAP reconciliation in appendix,

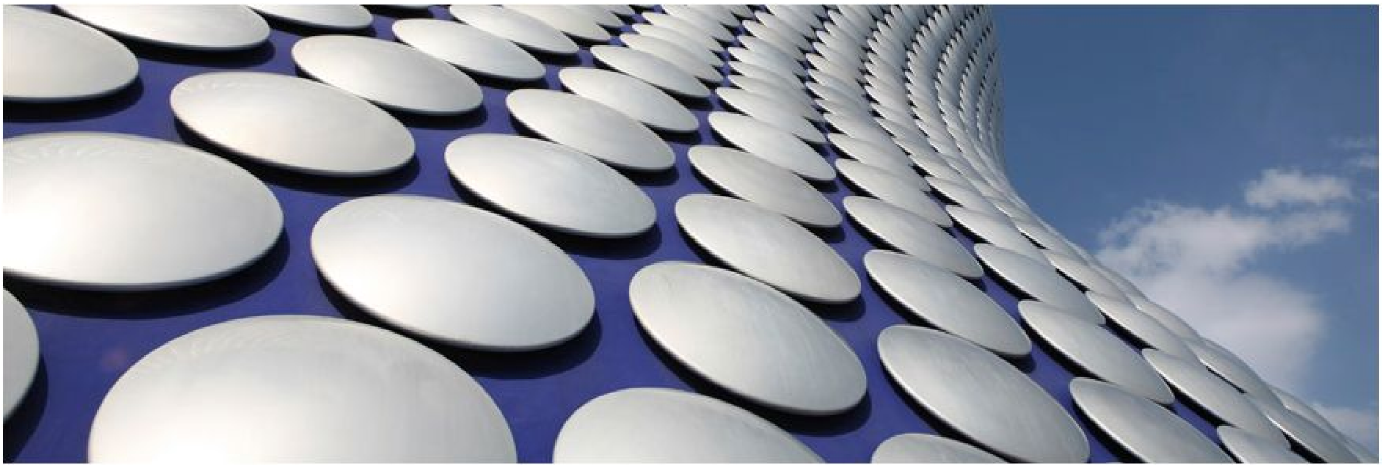
** Note: Equates to FY 2010 Revenues ranging from $2.1B to $2.2B

Given these considerations, we expect:

- Full fiscal year 2010 revenue growth of 8-12%, year-over-year;
- Full fiscal year Non-GAAP gross margins for the full year to be between 57% and 58%;
- Full fiscal year Operating expenses to be better than Model;
- Full fiscal year Operating margins to be in Model;
- Full fiscal year non-GAAP tax rate ranging from 25-26%;
- Full fiscal year diluted shares outstanding to be in a range of 495M to 505M shares;
- Full fiscal year Non-GAAP EPS to be in a range from 54 cents to 58 cents;
- Full fiscal year Operating Cash Flow of $375M-$400M;
- Full fiscal year Operational Capital Expenditures of $80M to $85M;
- Full fiscal year Campus Capital Expenditures of $120M to $125M;
- Full fiscal year Free Cash Flow of $170M to $195M.

Financial Summary

Richard Deranleau, CFO



So, to summarize from a financial perspective, we made progress during the quarter which we expect will serve us well during the remainder of the fiscal year. We saw better-than-anticipated strength across our Storage Networking business. We saw acceleration in the adoption of 8 Gig Fibre Channel. While we did see weakness in the Ethernet business, we did see growth in US Commercial and our Stackable products. In addition, we made significant improvements on our balance sheet and liquidity positions, as we continued to grow both Adjusted EBITDA and Cash Flows.

Now, in closing, and as Mike has discussed, Brocade moves forward focused on growing our Ethernet business and looks forward to your questions this afternoon.

Live Q&A Call

February 22, 2010, 2:30PM Pacific Time

Mike Klayko
CEO

Richard
Deranleau
CFO

Marc Randall
SVP Products
& Offerings

Dave Stevens
CTO

Ian Whiting
SVP WW Sales
& Marketing

That concludes Brocade's prepared comments. At 2:30 p.m. Pacific Time on February 22nd Brocade will host a web cast conference call at www.BRCD.com primarily devoted to answering questions submitted via email to ir@brocade.com and taken live from participants via telephone.

Thank you for your interest in Brocade.

Appendix and Reconciliations

Long-Term Financial Model

High margins, strong profitability

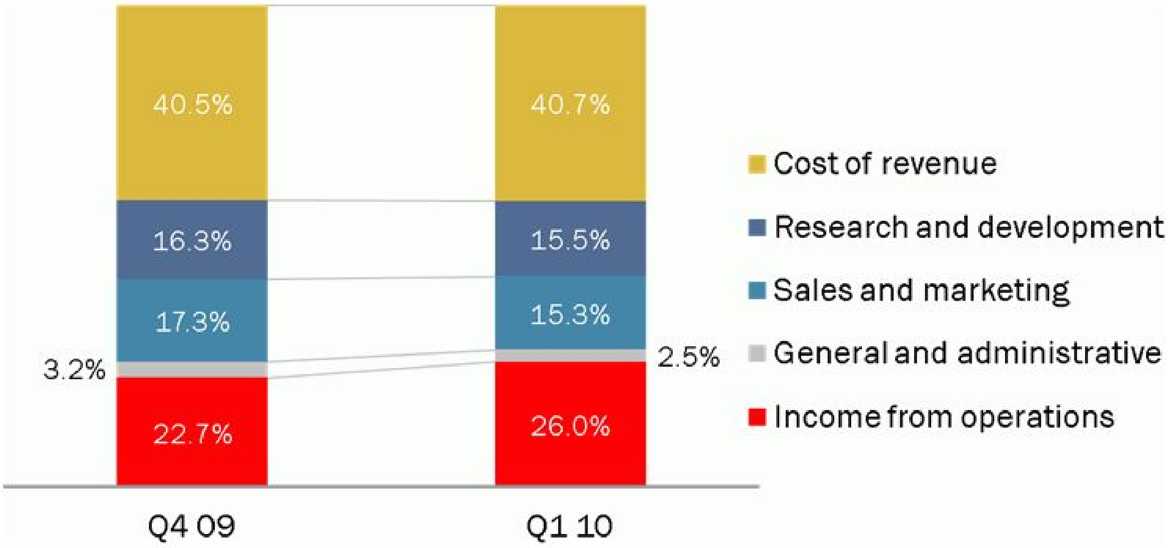
	Storage	Ethernet	Services	Brocade
Non-GAAP 3-year TAM CAGR*	18.6%	11.7%	12–15%	12–17%
Non-GAAP gross margin**	60–63%	55–60%	45–50%	59–61%
Non-GAAP operating expense**	37–39%	38–40%	20–25%	38–39%
Non-GAAP operating margin**	21–26%	15–22%	20–30%	20–23%

* Note: Sources are Dell'Oro Group, Infonetics and Brocade estimates

** Note: Non-GAAP, please see GAAP reconciliation in appendix

Sequential Income Statement* Comparison

Margin expansion from operating leverage



* Note: Non-GAAP, please see GAAP reconciliation in appendix

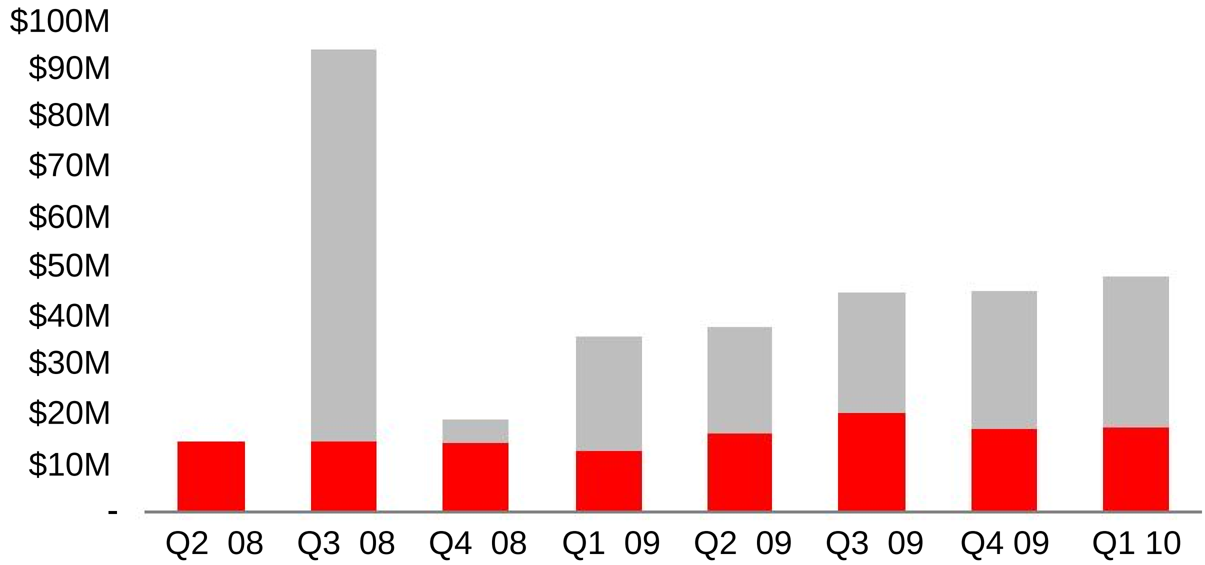
Quarterly Net Income (Loss) GAAP/Non-GAAP Reconciliation

(In Thousands)	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10
Net income (loss) on a GAAP basis*	(23,898)	(66,093)	(23,494)	32,101	51,095
Adjustments:					
Legal fees associated with indemnification obligations and other related expenses, net	19,299	19,814	(561)	(14,612)	301
Stock-based compensation expense	18,081	40,111	43,313	35,715	21,523
Amortization of intangible assets	25,197	39,372	35,002	34,950	34,902
Acquisition and integration costs	953	2,391	1,450	333	204
Loss on sale of property	–	–	–	–	8,783
Legal fees associated with certain pre-acquisition litigation	–	–	–	546	299
Provision for certain pre-acquisition litigation	–	–	–	14,335	–
Interest due to adoption of new standard*	1,922	1,976	2,030	2,085	2,142
In-process research and development	26,900	–	–	–	–
Restructuring costs and facilities lease losses	–	2,329	–	–	–
Goodwill and acquisition related intangibles impairment	–	53,306	–	–	–
Acquisition related financing charges	4,366	–	–	–	–
Income tax effect of adjustments	(9,265)	(46,080)	(2,364)	(32,091)	(25,239)
Non-GAAP net income	63,555	47,126	55,376	73,362	94,010

* Adjusted as a result of adoption of new accounting standard relating to convertible debt instruments

Capital Expenditures

Cumulative campus spending: $214M to date out of $330M total



	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09	Q3 09	Q4 09	Q1 10
Campus	-	$80M	$5M	$23M	$22M	$25M	$28M	$31M
Operating	$14M	$14M	$14M	$13M	$16M	$20M	$17M	$17M

EBITDA and Sr. Secured Leverage Ratio

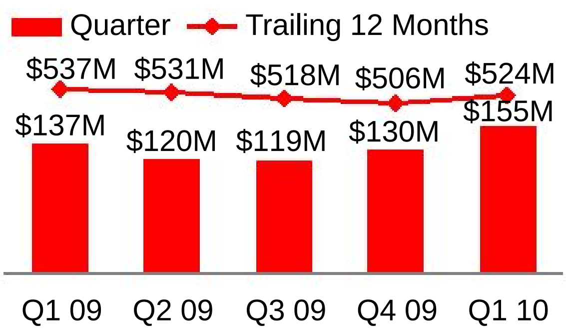
As defined in the term credit agreement

Consolidated Senior Secured Leverage Ratio	**Q1 FY09**	**Q2 FY09**	**Q3 FY09**	**Q4 FY09**	**Q1 FY10**
$ Thousand					
Consolidated Net Income	($26,031)	($63,118)	($21,034)	$33,597	$51,095
plus					
(i) Consolidated Interest Charges	$21,357	$26,398	$22,845	$20,681	$22,073
(ii) Provision for Federal, state, local and foreign income taxes payable	$22,028		$20,021	$0	$1,277
(iii) Depreciation and amortization expense	$39,754	$54,377	$50,956	$51,486	$51,012
(iv) Any cash restructuring charges and integration costs in connection with the Acquisition, in an aggregate amount not to exceed $75,000,000	$5,319	$4,720	$1,450	$333	$204
(v) Non-cash restructuring charges incurred in connection with the Transaction, all as approved by Arrangers	$18,400	$19,972	$5,840	$2,097	$1,502
(vi) Other non-recurring expenses reducing such Consolidated Net Income which do not represent a cash item in such period or any future period (in each case of or by the Borrower and its Subsidiaries for such Measurement Period)	$26,900	$53,304	$0	$0	$8,783
(vii) Any non-cash charges for stock compensation expense in compliance with FAS 123R and amortization of the fair value of unvested options under the Acquired Business' employee stock option plan assumed by the Borrower	$18,080	$40,111	$43,313	$35,714	$21,523
(viii) Legal fees and expenses relating to the Borrower's indemnification obligations for the benefit of its former officers and directors in connection with its historical stock option litigation	$13,740	$11,778	($561)	$0	$250
minus					
(i) Federal, state, local and foreign income tax credits	$0	($24,769)	$0	($6,707)	$0
(ii) All non-cash items increasing Consolidated Net Income (in each case of or by the Borrower and its Subsidiaries for such Measurement Period)	($2,877)	($2,899)	($3,511)	($7,216)	($3,036)
Consolidated EBITDA	$136,670	$119,874	$119,319	$129,985	$154,683
4 Quarter Trailing Consolidated EBITDA	$537,081	$531,304	$518,002	$505,848	$523,861
Consolidated Senior Secured Debt	$1,114,050	$1,039,050	$1,005,909	$948,028	$1,041,483
Consolidated Senior Secured Leverage Ratio	**2.07**	**1.96**	**1.94**	**1.87**	**1.99**

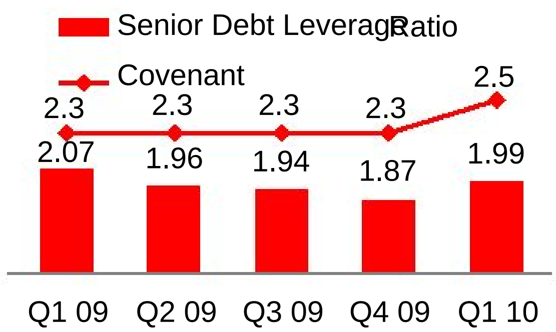
Q1 FY10 Cash and Debt Covenant

Continuing high adjusted EBITDA supports strong liquidity

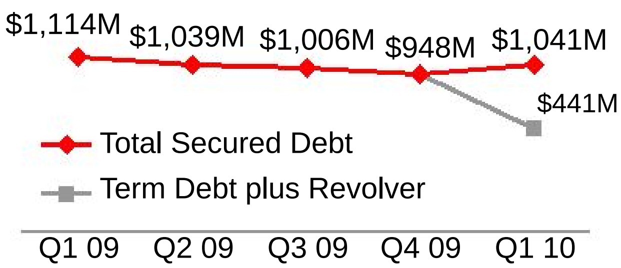
Strong Adj. EBITDA Performance…



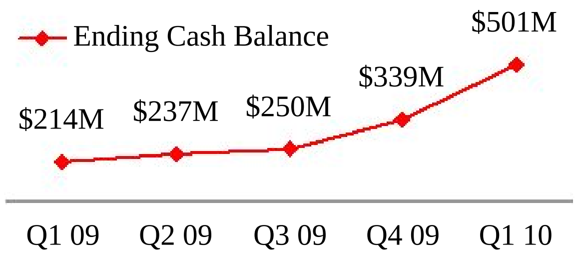
Well Within Our Debt Covenant…



Stronger Capital Structure…



Improving Cash Balance…



Thank You

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