

EXTREME NETWORKS INC  
Form DEF 14A  
October 24, 2008  
Table of Contents

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

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**EXTREME NETWORKS, INC.**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Edgar Filing: EXTREME NETWORKS INC - Form DEF 14A

Payment of Filing Fee (Check the appropriate box):

- No fee required.
  
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.
  - 1) Title of each class of securities to which transaction applies:
  
  - 2) Aggregate number of securities to which transaction applies:
  
  - 3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
  
  - 4) Proposed maximum aggregate value of transaction:
  
  - 5) Total fee paid:
  
- Fee paid previously with preliminary materials.
  
- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
  - 1) Amount Previously Paid:
  
  - 2) Form, Schedule or Registration Statement No.:
  
  - 3) Filing Party:
  
  - 4) Date Filed:

**Table of Contents**

**Extreme Networks, Inc.**

**3585 Monroe Street**

**Santa Clara, California 95051**

**(408) 579-2800**

October 29, 2008

Dear Stockholder:

You are cordially invited to attend our 2008 Annual Meeting of Stockholders to be held on Thursday, December 4, 2008 at 2:00 p.m. Pacific Time at the Executive Briefing Center at our headquarters located at 3585 Monroe Street, Santa Clara, California 95051.

At this meeting, you are being requested to elect three Class I members of the Board of Directors for a three-year term, and to ratify the appointment of our independent auditors for our fiscal year ending June 28, 2009. Our Board of Directors recommends that you vote in favor of these proposals. Please refer to the Notice of Annual Meeting of Stockholders and Proxy Statement for further information on each of these proposals.

It is important that you use this opportunity to take part in the affairs of Extreme Networks by voting on the business to come before this meeting. After reading the Proxy Statement, please promptly mark, sign, date and return the enclosed proxy card in the prepaid envelope to ensure that your shares will be represented. We also provide our stockholders the opportunity to receive stockholder communications electronically. If you elected for electronic delivery of the Proxy Statement and Annual Report on Form 10-K for fiscal year 2008, you will not be receiving a proxy card and must vote electronically. For more information, see *Electronic Delivery of Stockholder Communications* in the Proxy Statement. Our Annual Report on Form 10-K for the fiscal year ended June 29, 2008 is also enclosed.

After completion of the scheduled business, we will review the activities of Extreme Networks over the past year and our upcoming plans. If you have any further questions concerning the annual meeting or either of the proposals, please contact our investor relations department at (408) 579-3030. We look forward to your attendance at the annual meeting.

Yours Very Truly,  
Mark A. Canepa

*President and Chief Executive Officer*

**Table of Contents**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**October 29, 2008**

TO THE STOCKHOLDERS:

Notice is hereby given that the Annual Meeting of Stockholders of Extreme Networks, Inc., a Delaware corporation, will be held on Thursday, December 4, 2008 at 2:00 p.m. Pacific Time at the Executive Briefing Center at our headquarters located at 3585 Monroe Street, Santa Clara, California 95051, for the following purposes:

1. To elect three Class I directors to hold office for a three-year term and until their successors are elected and qualified or until their earlier resignation or removal;
2. To ratify the appointment of Ernst & Young LLP, independent registered public accounting firm, as our independent auditors for the fiscal year ending June 28, 2009; and
3. To transact such other business as may properly come before the meeting and any adjournment or postponement thereof.

Stockholders of record at the close of business on October 17, 2008 are entitled to notice of, and to vote at, this meeting and any adjournment or postponement thereof. For ten days prior to the meeting, a complete list of stockholders entitled to attend and vote at the meeting will be available for review by any stockholder during normal business hours at our headquarters located at 3585 Monroe Street, Santa Clara, California 95051.

BY ORDER OF THE BOARD OF DIRECTORS,

Robert S. Schlossman

Senior Vice President,

General Counsel and Secretary

Santa Clara, California

October 29, 2008

**IMPORTANT: To assure your representation at the meeting, please complete, sign, date and return the enclosed proxy card in the enclosed envelope or follow the instructions on the enclosed proxy card to vote by telephone or via the Internet. If you attend the meeting, you may choose to vote in person even if you have previously sent in your proxy card.**

**Table of Contents**

**TABLE OF CONTENTS  
TO THE PROXY STATEMENT**

<u>INFORMATION CONCERNING SOLICITATION AND VOTING</u>	1
<u>General</u>	1
<u>Who May Vote</u>	1
<u>Voting Your Proxy</u>	1
<u>Votes Needed to Hold the Meeting</u>	2
<u>Matters to Be Voted On at the Meeting</u>	2
<u>Cost of This Proxy Solicitation</u>	2
<u>Attending the Meeting</u>	2
<u>Changing Your Vote</u>	3
<u>Our Voting Recommendations</u>	3
<u>Voting Results</u>	3
<u>Electronic Delivery of Stockholder Communications</u>	3
<u>How To Obtain A Separate Set of Voting Materials</u>	3
<u>PROPOSAL ONE: ELECTION OF DIRECTORS</u>	4
<u>Vote Required and Board of Directors Recommendation</u>	4
<u>Class I Directors Serving a Term Expiring, and Nominated for Re-Election, at the 2008 Annual Meeting</u>	5
<u>Class II Directors Serving Terms Expiring at the 2009 Annual Meeting</u>	5
<u>Class III Directors Serving Terms Expiring at the 2010 Annual Meeting</u>	6
<u>CORPORATE GOVERNANCE</u>	7
<u>Meetings of the Board of Directors</u>	7
<u>Committees of the Board of Directors</u>	8
<u>Compensation Committee Interlocks and Insider Participation</u>	9
<u>Director Nominations</u>	9
<u>Communications with Directors</u>	11
<u>Director Attendance at Annual Meetings</u>	11
<u>Code of Ethics and Corporate Governance Materials</u>	11
<u>DIRECTORS' COMPENSATION</u>	12
<u>PROPOSAL TWO: RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS FOR THE FISCAL YEAR ENDING JUNE 28, 2009</u>	15
<u>Principal Accounting Fees and Services</u>	15
<u>Vote Required and Board of Directors Recommendation</u>	16
<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u>	17
<u>EXECUTIVE COMPENSATION AND OTHER MATTERS</u>	19
<u>Compensation Discussion and Analysis</u>	19
<u>Summary Compensation Table</u>	29
<u>Summary of Employment and Other Agreements</u>	30
<u>Grants of Plan-Based Awards</u>	34
<u>Outstanding Equity Awards at Fiscal Year-End</u>	35
<u>Option Exercises and Stock Vested During Last Fiscal Year</u>	35
<u>Pension Benefits and Nonqualified Deferred Compensation Plans</u>	36
<u>Potential Payments upon Termination or Change in Control</u>	36
<u>Compensation Committee Interlocks and Inside Participation</u>	38
<u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</u>	39
<u>Actual or Potential Conflicts of Interest</u>	39
<u>Reporting, Review and Approval of Related Party Transactions</u>	39
<u>Indebtedness of Management</u>	40



**Table of Contents**

<u>EQUITY COMPENSATION PLAN INFORMATION</u>	41
<u>SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u>	41
<u>REPORT OF THE COMPENSATION COMMITTEE</u>	42
<u>REPORT OF THE AUDIT COMMITTEE</u>	43
<u>STOCKHOLDER PROPOSALS TO BE PRESENTED AT NEXT ANNUAL MEETING</u>	44
<u>TRANSACTION OF OTHER BUSINESS</u>	44
<u>COMMUNICATING WITH EXTREME NETWORKS</u>	45
<u>APPENDIX A: CHARTER OF THE COMPENSATION COMMITTEE</u>	

**Table of Contents**

**EXTREME NETWORKS, INC.**

**PROXY STATEMENT**

**INFORMATION CONCERNING SOLICITATION AND VOTING**

**General**

Our Board of Directors is requesting that you permit your common stock to be represented at the Annual Meeting of Stockholders of Extreme Networks, to be held on Thursday, December 4, 2008 (the **2008 Annual Meeting**), or any postponement or adjournment thereof, by the proxies named on the enclosed proxy card for the purposes set forth in the accompanying Notice of Annual Meeting of Stockholders. This Proxy Statement contains important information for you to consider when deciding how to vote on the matters brought before the meeting. Please read it carefully. Voting materials, which include the Proxy Statement, the 2008 Annual Report on Form 10-K for the fiscal year ended June 29, 2008 and the accompanying proxy card, will be first mailed on or about October 29, 2008 to all stockholders entitled to vote at the annual meeting, and, on or about the same date, electronic versions of these documents will be sent via email to stockholders who have registered for electronic delivery.

In this Proxy Statement, Extreme Networks may also be referred to as we, our, us or the Company.

**Who May Vote**

You may vote your shares of Extreme Networks common stock if our records show that you owned your shares on October 17, 2008. At the close of business on that date, 88,286,162 shares of Extreme Networks common stock were outstanding and eligible to vote. You are entitled to one vote for each share you hold.

**Voting Your Proxy**



## Edgar Filing: EXTREME NETWORKS INC - Form DEF 14A

All valid proxies received before the meeting will be exercised. All shares represented by a proxy will be voted, and where a proxy specifies a stockholder's choice with respect to any matter to be acted upon, the shares will be voted in accordance with that specification. If no choice is indicated on the proxy, the shares will be voted in favor of the proposal.

To assure that your vote is recorded promptly, please vote as soon as possible, even if you plan to attend the annual meeting in person. Instructions for voting by telephone, by using the Internet or by mail are on your proxy card. When you vote via the Internet or by phone, your vote is recorded immediately. We encourage our stockholders to vote using these methods whenever possible. If you attend the annual meeting, you may also submit your vote in person, and any previous votes that you submitted, whether by Internet, phone or mail, will be superseded by the vote that you cast at the annual meeting. A stockholder who has given a proxy may revoke it at any time before it is exercised by (i) filing with the Investor Relations department of Extreme Networks a written revocation or a duly executed proxy bearing a later date, or (ii) by voting in person at the annual meeting.

For those stockholders who are voting by Internet and received notification by mail, follow these steps:

1. Log on to *www.proxyvote.com*. To access an electronic ballot, enter the twelve-digit number contained in the proxy card or voting instruction form accompanying the Proxy Statement.
2. Complete the electronic ballot and submit your voting instructions.
3. Provide your email address if you want confirmation of your voting instructions.

Or, for those stockholders who are voting by Internet and received notification by email, follow these steps:

1. Log on to *www.proxyvote.com*. To access an electronic ballot, enter the twelve-digit number contained in your email message and the personal identification number (PIN) you used when you enrolled for electronic delivery.

## **Table of Contents**

2. The ballot displayed contains Internet links to the applicable materials; read them carefully.
3. Complete the electronic ballot and submit your voting instructions.

For those stockholders who are voting by telephone, follow these steps:

1. Dial 1-800-690-6903 using a touch-tone telephone.
2. You will be prompted to enter the twelve-digit number contained in the proxy card or voting instruction form accompanying the Proxy Statement.
3. Follow the instructions the vote voice provides you to submit your voting instructions.

Whether you hold shares in your name or through a broker, bank or other nominee, you may vote without attending the meeting. You may vote by granting a proxy or, for shares held through a broker, bank or other nominee, by submitting voting instructions to that nominee. For shares held through a broker, bank or other nominee, follow the voting instructions set forth above. If you provide specific voting instructions, your shares will be voted as you have instructed. If you hold shares in your name and sign and return a proxy card without giving specific voting instructions, your shares will be voted as recommended by our Board of Directors. All shares represented by valid proxies received before the meeting will be voted.

## **Votes Needed to Hold the Meeting**

The annual meeting will be held if a majority of the Extreme Networks' outstanding shares of common stock entitled to vote, whether present in person or represented by proxy, is represented at the meeting. This is called a quorum. Your shares will be counted for purposes of determining if there is a quorum if you either are present and vote in person at the meeting, or have properly submitted a proxy card or voted by telephone or by using the Internet, even if you wish to abstain from voting on some or all matters introduced at the meeting. Votes for and against, abstentions and broker non-votes will each be counted as present for purposes of determining the presence of a quorum. A broker non-vote occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary power with respect to that item and has not received instructions from the beneficial owner.

## **Matters to Be Voted On at the Meeting**

The following matters will be presented for your consideration at the annual meeting:

1. A proposal to elect three Class I directors to hold office for a three-year term and until their successors are elected and qualified or until their earlier resignation or removal;
- 2.

## Edgar Filing: EXTREME NETWORKS INC - Form DEF 14A

A proposal to ratify the appointment of Ernst & Young LLP, independent registered public accounting firm, as our independent auditors for the fiscal year ending June 28, 2009; and

3. The transaction of such other business as may properly come before the meeting.

### **Cost of This Proxy Solicitation**

We will pay the costs of the solicitation. We may request banks and brokers and other custodians, nominees and fiduciaries to solicit their customers who own our common stock and will reimburse them for reasonable out-of-pocket expenses. Our employees, directors, officers and others may solicit proxies on our behalf, personally or by telephone, without additional compensation. We are soliciting proxies electronically through the Internet from stockholders who previously registered to receive proxy materials electronically through the Internet.

### **Attending the Meeting**

Stockholders may attend our annual meeting in person. The annual meeting will be held at 2:00 p.m. Pacific Time on Thursday, December 4, 2008 at the Executive Briefing Center at our headquarters located at 3585 Monroe Street, Santa Clara, California 95051.

## **Table of Contents**

You may vote shares held directly in your name in person at the meeting. If you choose to attend the meeting, please bring the enclosed proxy card or proof of identification for entrance to the meeting. If you want to vote shares that you hold in street name at the meeting, you must request a legal proxy from your broker, bank or other nominee that holds your shares.

## **Changing Your Vote**

You may revoke your proxy and change your vote at any time before the final vote at the meeting. You may do this by signing a new proxy card with a later date, voting on a later date by telephone or by using the Internet (only your latest telephone or Internet proxy is counted), or by attending the meeting and voting in person. However, your attendance at the meeting will not automatically revoke your proxy; you must specifically revoke your proxy. See *Voting Your Proxy* above for further instructions.

## **Our Voting Recommendations**

Our Board of Directors recommends that you vote:

FOR the election of three Class I directors to hold office for a three-year term and until their successors are elected and qualified or until their earlier resignation or removal;

FOR ratification of the appointment of Ernst & Young LLP, independent registered public accounting firm, as our independent auditors for the fiscal year ending June 28, 2009.

## **Voting Results**

The preliminary voting results will be announced at the meeting. The final voting results will be published in our quarterly report on Form 10-Q for the second quarter of fiscal year 2009.

## **Electronic Delivery of Stockholder Communications**

This year we are pleased to again offer our stockholders the opportunity to receive stockholder communications electronically. By signing up for electronic delivery, you can receive the Annual Report on Form 10-K and the Proxy Statement via email notification as soon as these are available. You may also submit your stockholder votes online. This will help to reduce the number of paper documents in your personal files, eliminate duplicate mailings, conserve natural resources, and save on our printing and mailing costs. To sign up for electronic delivery, visit <http://www.extremenetworks.com/aboutus/investor/Default.asp> and enter information for all of your Extreme Networks stockholdings. Your enrollment will be effective until canceled. You may access the Notice of Annual Meeting of Stockholders, the Proxy Statement and the Annual Report on Form 10-K on the Internet at <http://www.extremenetworks.com/aboutus/investor/Default.asp>. If you have questions about electronic delivery, please call our Investor Relations department at (408) 579-3030.

To reduce the expense of delivering duplicate voting materials to our stockholders who may have more than one Extreme Networks stock account, unless otherwise requested, pursuant to current householding rules, we will deliver only one set of voting materials, which includes the Proxy Statement, proxy card and the 2008 Annual Report to Stockholders on Form 10-K, to stockholders who share the same address.

**How To Obtain A Separate Set of Voting Materials**

If you share an address with another stockholder and have received only one set of voting materials, you may write or call us to request a separate copy of these materials at no cost to you. For future annual meetings, you may request separate voting materials, or request that we send only one set of voting materials to you if you are receiving multiple copies, by calling our Investor Relations department at: (408) 579-3030, or by writing us at: Extreme Networks, Inc., 3585 Monroe Street, Santa Clara, CA 95051, Attn: Investor Relations.

**Table of Contents**

**PROPOSAL ONE:**

**ELECTION OF DIRECTORS**

We have a classified Board of Directors consisting of three Class I directors, two Class II directors and two Class III directors. The current term of the Class I directors will expire on the date of the upcoming 2008 annual meeting.

At the recommendation of the Board of Directors Nominating and Corporate Governance Committee, the Board of Directors nominees for election at the 2008 Annual Meeting as Class I directors are Gordon L. Stitt, Mark A. Canepa and Kenneth Levy. Messrs. Stitt, Canepa and Levy are all current members our Board of Directors.

Please see below for information concerning each nominee. If elected, Messrs. Stitt, Canepa and Levy will serve as directors until the annual meeting of stockholders in 2011 and until their successors are elected and qualified or until their earlier resignation or removal.

If any of Messrs. Stitt, Canepa and Levy decline to serve or become unavailable for any reason, or if a vacancy otherwise occurs before the election, although management knows of no reason that this will occur, the proxies may be voted for a substitute nominee as the Nominating and Corporate Governance Committee or the Board of Directors may designate.

**Vote Required and Board of Directors Recommendation**

The persons receiving the highest number of votes represented by outstanding shares of common stock present or represented by proxy and entitled to vote at the annual meeting of stockholders will be elected. Votes for and against, abstentions and broker non-votes will be counted as present in determining if a quorum is present; however, abstentions and broker non-votes will have no effect on the outcome of the election.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE NOMINEES NAMED ABOVE.**

The following table provides information concerning the age, tenure on the board and board class of our directors and nominees as of September 28, 2008.

Name	Age	Director Since	Class
<b>Gordon L. Stitt</b>	52	1996	I
<i>Chairman of the Board of Directors</i>			
<b>Mark A. Canepa</b>	53	2006	I
<i>President, Chief Executive Officer and Director</i>			

Edgar Filing: EXTREME NETWORKS INC - Form DEF 14A

<b>Kenneth Levy, Director</b>	65	2001	I
<b>Bob L. Corey, Director</b>	57	2003	II
<b>Harry Silverglide, Director</b>	62	2004	II
<b>Charles Carinalli, Director</b>	60	1996	III
<b>John C. Shoemaker, Director</b>	65	2007	III

Directors in Class I are serving a term expiring at the 2008 annual meeting of stockholders. Directors in Class II are serving a term expiring at the 2009 annual meeting of stockholders. Directors in Class III are serving a term expiring at the 2010 annual meeting of stockholders. There are no family relationships among any of our directors or executive officers.

## **Table of Contents**

Following are profiles for the Class I directors nominated for election at the upcoming annual meeting and for each Class II and Class III director. The stockholders previously elected each Class II and Class III director to our Board of Directors.

### **Class I Directors Serving a Term Expiring, and Nominated for Re-Election, at the 2008 Annual Meeting**

*Gordon L. Stitt.* Mr. Stitt has served as the Chairman of our Board of Directors since October 2006 and as a member of our Board of Directors since our inception in May 1996. Mr. Stitt is one of our co-founders, served as our President and Chief Executive Officer from our inception until August 2006 and remained employed by us until December 2006. In 1989, Mr. Stitt co-founded Network Peripherals, Inc., a designer and manufacturer of high-speed networking technology. He served as Vice President of Marketing, then as Vice President and General Manager of the OEM Business Unit until 1995. Mr. Stitt holds a Bachelors of Science in Electrical Engineering and Computer Science from Santa Clara University and an Masters in Business Administration from the Haas School of Business of the University of California, Berkeley.

*Mark A. Canepa.* Mr. Canepa became our President and Chief Executive Officer in August 2006 and was appointed to our Board of Directors in October 2006. From 1996 to 2006, he served in multiple vice president and general manager roles at Sun Microsystems, Inc., including most recently as Executive Vice President of the Network Storage Products Group. His prior experience also includes several general manager positions at Hewlett-Packard Company, including development and marketing of the firm's workstation products. Mr. Canepa holds both a Bachelors of Science and a Masters of Science in Electrical Engineering from Carnegie Mellon University. He has also completed the Advanced Management Program at the Wharton School of the University of Pennsylvania.

*Kenneth Levy.* Mr. Levy has served as one of our directors since October 2001. Mr. Levy is a private investor and the Chairman Emeritus of KLA-Tencor Corporation, a supplier of process control and yield management solutions for the semiconductor industry. Mr. Levy co-founded KLA Instruments Corporation in 1975 and served as its Chief Executive Officer and Chairman of the Board from 1975 until a merger in 1997 after which the firm was named KLA-Tencor Corporation. He chaired the board of directors of KLA Tencor from April 1997 to October 2006. He also served as the Chief Executive Officer of KLA-Tencor from July 1998 until June 1999. Mr. Levy holds a Bachelors of Science in Electrical Engineering from City College of New York and a Masters of Science in Electrical Engineering from Syracuse University. Mr. Levy is a member of the National Academy of Engineering.

### **Class II Directors Serving a Term Expiring at the 2009 Annual Meeting**

*Bob L. Corey.* Mr. Corey has served as one of our directors since December 2003. Mr. Corey served as Executive Vice President and Chief Financial Officer for Thor Technologies, Inc., a provider of enterprise provisioning software, from May 2003 until January 2006. Oracle Corporation acquired Thor Technologies in November 2005. Mr. Corey served as Executive Vice President and Chief Financial Officer of Documentum, Inc., a provider of enterprise content management software, from May 2000 to August 2002. Mr. Corey served as Senior Vice President of Finance and Administration and Chief Financial Officer for Forte Software, Inc., a provider of software development tools and services, from May 1998 to April 2000. In February 1999, Mr. Corey was elected to its Board of Directors prior to Forte Software's acquisition by Sun Microsystems, Inc. in October 1999. Mr. Corey served as Executive Vice President and Chief Financial Officer of SyQuest Technology Inc., a provider of removable storage solutions, from July 1997 to April 1998. Mr. Corey also is the Chairman of the Board of Directors of Interwoven, Inc., a provider of enterprise content management software, and serves on the Board of Directors of Veraz Networks, a provider of IP softswitches, media gateways and digital compression products. Mr. Corey holds a Bachelors of Administration with a concentration in accounting from California State University at Fullerton.



**Table of Contents**

*Harry Silverglide.* Mr. Silverglide has served as one of our directors since June 2004. From January 1997 to July 2002, Mr. Silverglide served as our Vice President of Sales. From May 1995 to January 1997, he served as Vice President of Western Region Sales for Bay Networks. From July 1994 to May 1995, he served as Vice President of Sales for Centillion Networks, a provider of LAN switching products which was acquired by Bay Networks in 1995.

**Class III Directors Serving a Term Expiring at the 2010 Annual Meeting**

*Charles Carinalli.* Mr. Carinalli has served as one of our directors since October 1996 and is currently a Principal of Carinalli Ventures. From 1999 to May 2002, Mr. Carinalli was Chief Executive Officer and a director of Adaptive Silicon, Inc., a developer of semiconductors. From November 2000 to November 2001, Mr. Carinalli served as Chairman of Clearwater Communications, Inc., a privately held telecommunications company. From December 1996 to July 1999, Mr. Carinalli served as President, Chief Executive Officer and a director of Wavespan, Inc., a developer of wireless broadband access systems that was acquired by Proxim, Inc. From 1970 to 1996, Mr. Carinalli served in various positions for National Semiconductor, Inc., a publicly traded company developing analog-based semiconductor products, most recently as Senior Vice President and Chief Technical Officer. Mr. Carinalli also serves on the Boards of Directors of Fairchild Semiconductor, a semiconductor company and Atmel Corporation, a semiconductor company. Mr. Carinalli holds a Bachelors of Science in Electrical Engineering from the University of California, Berkeley and a Masters of Science in Electrical Engineering from Santa Clara University.

*John C. Shoemaker.* Mr. Shoemaker has served as one of our directors since October 2007. From 1990 to June 2004, Mr. Shoemaker held various executive management positions at Sun Microsystems, Inc., including as Executive Vice President, Worldwide Operations Organizations, and Executive Vice President and General Manager for its Computer Systems Division. Previously, Mr. Shoemaker served in a number of senior executive positions with the Xerox Corporation, a provider of document management technology and services. Mr. Shoemaker is a director of Altera Inc., a provider of programmable logic solutions, and chairs the board of directors of SonicWALL, Inc., a network security and remote access software firm. Mr. Shoemaker holds a Bachelor of Arts degree from Hanover College and a Masters in Business Administration from Indiana University.

**Table of Contents**

**CORPORATE GOVERNANCE**

Our Board of Directors currently consists of seven directors. The directors are divided into three classes – Class I, Class II and Class III, with each class consisting of a minimum of two directors and each class having a three-year term. The Class I directors are Mark A. Canepa, Gordon L. Stitt and Kenneth Levy. The Class II directors are Bob L. Corey and Harry Silverglide. The Class III directors are Charles Carinalli and John C. Shoemaker.

The Board of Directors has determined that, other than Mark A. Canepa and Gordon L. Stitt, each member of the Board is an independent director for purposes of the NASDAQ Marketplace Rules.

The structure of the Board of Directors is staggered, so that Class I, Class II and Class III directors will serve until the annual meetings of stockholders to be held in 2008, 2009 and 2010, respectively, and until their respective successors are duly elected and qualified. At each annual meeting of stockholders, the successors to directors whose term will then expire will be elected to serve from the time of election and qualification until the third annual meeting following their election. The Board has a mandatory retirement age of seventy (70).

Charles Carinalli has been elected by the independent members of the Board of Directors as the lead independent director. Mr. Carinalli's duties as lead independent director include:

chairing executive sessions of the independent directors;

servicing as liaison between the Chairman of the Board of Directors and the independent directors, including, communicating to the Chairman and Chief Executive Officer, as appropriate, the results of executive sessions of the independent directors;

ensuring that independent directors have adequate opportunities to meet without management present;

servicing as designated contact for communication to independent directors, including being available for consultation and direct communication with major stockholders;

ensuring that the independent directors have an opportunity to provide input on the agenda for Board of Director meetings;

assuring that there is sufficient time for discussion of all agenda items; and

receiving, distributing to the Board and arranging responses to communications from stockholders, and being identified as the recipient of these communications in the annual meeting proxy statement.

The Board of Directors elects our President, Chief Financial Officer, Secretary and all executive officers. All executive officers serve at the discretion of the Board of Directors. Each of our officers devotes his full time to our affairs. Our non-employee directors devote time to our affairs as is necessary to discharge their duties. In addition, our Board of Directors has the authority to retain its own advisers to assist it in the

discharge of its duties. There are no family relationships among any of our directors, officers or key employees.

**Meetings of the Board of Directors**

The Board of Directors held eleven meetings during the fiscal year ended June 29, 2008. No director serving on the Board of Directors in fiscal year 2008 attended fewer than 75% of the aggregate of the meetings of the Board of Directors and the meetings of the committees on which he serves.

**Table of Contents****Committees of the Board of Directors**

The Board of Directors has a separately-designated standing Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee. Each of these Committees has a written charter that has been approved by the Board of Directors.

*Committee Membership During Our Fiscal Year Ended June 29, 2008.*

<b>Name</b>	<b>Audit Committee</b>	<b>Compensation Committee</b>	<b>Nominating and Corporate Governance Committee</b>
<b>Charles Carinalli</b>	<i>Member</i>	<i>Chairman</i>	<i>Member</i>
<b>Bob L. Corey</b>	<i>Chairman</i>	<i>Member</i>	<i>Member</i>
<b>Kenneth Levy</b>		<i>Member*</i>	<i>Chairman</i>
<b>Harry Silverglide</b>	<i>Member</i>	<i>Member</i>	
<b>John C. Shoemaker</b>	<i>Member</i>		

\* Mr. Levy resigned from the Compensation Committee effective July 31, 2007.

**Audit Committee.** The members of the Audit Committee during our fiscal year ended June 29, 2008 were Messrs. Carinalli, Corey, Silverglide and Shoemaker. Mr. Shoemaker was appointed to serve on the Audit Committee in October 2007. All members of the Audit Committee during fiscal year 2008 were independent for purposes of the NASDAQ Marketplace Rules and the rules of the SEC as these rules apply to audit committee members. The Board has determined that Mr. Corey is an audit committee financial expert, as defined in the rules of the SEC. The Audit Committee retains our independent auditors, reviews and approves the planned scope, proposed fee arrangements and terms of engagement of the independent auditors, reviews the results of the annual audit of our financial statements and the interim reviews of our unaudited financial statements, evaluates the adequacy of accounting and financial controls, reviews the independence of our auditors, and oversees our financial reporting on behalf of the Board of Directors. The Audit Committee is also responsible for establishing procedures for the receipt, retention and treatment of complaints received by us regarding questionable accounting or auditing matters, including the anonymous submission by our employees of concerns regarding accounting or auditing matters. In addition, the Audit Committee reviews with our independent auditors the scope and timing of their audit services and any other services they are asked to perform, the independent auditor's report on our consolidated financial statements following completion of their audit, and our critical accounting policies and procedures and policies with respect to our internal accounting and financial controls. The Audit Committee held five meetings during the fiscal year ended June 29, 2008. For more information about the Audit Committee, see Report of the Audit Committee below in this proxy statement.

**Compensation Committee.** The members of the Compensation Committee during the fiscal year ended June 29, 2008 were Messrs. Carinalli, Corey and Silverglide. Effective July 29, 2008, Mr. Silverglide resigned from the Compensation Committee and Mr. Shoemaker was appointed to serve in his place. Each member of the Compensation Committee during fiscal year 2008 was determined by the Board to be independent for purposes of the NASDAQ Marketplace Rules as they apply to compensation committee members. Pursuant to its charter, the Compensation Committee has responsibility for, among other things, discharging the Board's responsibilities relating to compensation and benefits of our officers, including responsibility for evaluating and reporting to the Board on matters concerning management performance, officer compensation and benefits plans and programs. In carrying out these responsibilities, the Compensation Committee is required to review all components of executive officer compensation for consistency with our compensation philosophy. The charter of the Compensation Committee provides that the Compensation Committee may delegate duties or responsibilities to subcommittees or to one member of the Compensation Committee from time to time, as appropriate; however, historically the Compensation Committee has delegated duties or responsibilities only under limited circumstances. Our President and Chief Executive Officer (our **CEO**) and our Vice President of Human



## **Table of Contents**

Resources assist the Compensation Committee in its deliberations with respect to the compensation of our executive officers, except that our CEO does not play a role in the Compensation Committee's deliberations regarding his own compensation determination, other than discussing his performance objectives with the Compensation Committee. The other executive officers do not play a role in the Compensation Committee's deliberations regarding their own compensation determination, except that each executive officer discusses his or her individual performance objectives with our CEO and our General Counsel may be present for deliberations and may provide advice to the Compensation Committee regarding legal issues associated with compensation plans. Our CEO does not have the ability to call Compensation Committee meetings, but he can attend meetings to the extent that there is no discussion of his own compensation determination. For our fiscal year ended June 29, 2008, the Compensation Committee engaged Radford, a division of the Aon Corporation, to assist it in a review of our executive compensation strategies and practices and to advise the Compensation Committee regarding the results of its review. The Compensation Committee held six meetings during the fiscal year ended June 29, 2008. For more information about the Compensation Committee, see *Executive Compensation* below in this proxy statement.

*Nominating and Corporate Governance Committee.* The members of the Nominating and Corporate Governance Committee during fiscal year 2008 were Messrs. Corey, Levy and Carinalli. Effective as of July 31, 2007, Mr. Carinalli was appointed to serve on the Nominating and Corporate Governance Committee. Each member of the Nominating and Corporate Governance Committee during fiscal year 2008 was determined by the Board to be independent for purposes of the NASDAQ Marketplace Rules as they apply to nominating committee members. The Nominating and Corporate Governance Committee identifies, reviews, evaluates and nominates candidates to serve on our Board of Directors, is responsible for recommending corporate governance principles, codes of conduct and compliance mechanisms applicable to us, and assists the Board of Directors in its annual reviews of the performance of the Board, each committee and management. The Nominating and Corporate Governance Committee held five meetings in fiscal year 2008.

## **Compensation Committee Interlocks and Insider Participation**

During fiscal year 2008, no member of the Compensation Committee was a current or former officer or employee of the company or any of the company's subsidiaries, except for Mr. Silverglide who was a member of the Compensation Committee from July 31, 2007 to July 28, 2008 and who served as our Vice President of Sales from January 1997 to July 2002. None of our executive officers has served on the board of directors or compensation committee of any other entity that has, or has had, one or more executive officers who served as a member of the Board of Directors or the Compensation Committee during the 2007 fiscal year.

## **Director Nominations**

*Director Qualifications.* In fulfilling its responsibilities, the Nominating and Corporate Governance Committee considers the following factors in reviewing possible candidates for nomination as director:

the appropriate size of our Board of Directors and its Committees;

the perceived needs of the Board for particular skills, background and business experience;

the skills, background, reputation, and business experience of nominees and the skills, background, reputation, and business experience already possessed by other members of the Board;

## Edgar Filing: EXTREME NETWORKS INC - Form DEF 14A

nominees independence from management;

nominees experience with accounting rules and practices;

nominees background with regard to executive compensation;

applicable regulatory and listing requirements, including independence requirements and legal considerations, such as antitrust compliance;

the benefits of a constructive working relationship among directors; and

the desire to balance the considerable benefit of continuity with the periodic injection of the fresh perspective provided by new members.

## Table of Contents

The Nominating and Corporate Governance Committee's goal is to assemble a Board of Directors that brings to us a variety of perspectives and skills derived from high quality business and professional experience. Directors should possess the highest personal and professional ethics, integrity and values, and be committed to representing the best interests of our stockholders. They must also have an inquisitive and objective perspective and mature judgment. Director candidates must have sufficient time available in the judgment of the Nominating and Corporate Governance Committee to perform all Board and committee responsibilities. Board members are expected to prepare for, attend, and participate in all Board and applicable committee meetings.

Other than the foregoing there are no stated minimum criteria for director nominees, although the Nominating and Corporate Governance Committee may also consider other factors as it may deem, from time to time, are in the best interests of us and our stockholders. The Nominating and Corporate Governance Committee believes that it is preferable that at least one member of the Board should meet the criteria for an audit committee financial expert as defined by SEC rules. Under applicable listing requirements, at least a majority of the members of the Board must meet the definition of independent director. The Nominating and Corporate Governance Committee also believes it appropriate for one or more key members of management to participate as members of the Board.

*Identifying and Evaluating Candidates for Nomination as Director.* The Nominating and Corporate Governance Committee annually evaluates the current members of the Board of Directors whose terms are expiring and who are willing to continue in service against the criteria set forth above in determining whether to recommend these directors for election. The Nominating and Corporate Governance Committee regularly assesses the optimum size of the Board and its committees and the needs of the Board for various skills, background and business experience in determining if the Board requires additional candidates for nomination.

Candidates for nomination as director come to the attention of the Nominating and Corporate Governance Committee from time to time through incumbent directors, management, stockholders or third parties. These candidates may be considered at meetings of the Nominating and Corporate Governance Committee at any point during the year. Candidates are evaluated against the criteria set forth above. If the Nominating and Corporate Governance Committee believes at any time that the Board requires additional candidates for nomination, the Nominating and Corporate Governance Committee may poll directors and management for suggestions or conduct research to identify possible candidates and may engage, if the Nominating and Corporate Governance Committee believes it is appropriate, a third party search firm to assist in identifying qualified candidates.

The Nominating and Corporate Governance Committee will evaluate any recommendation for director nominee proposed by a stockholder. In order to be evaluated in connection with the Nominating and Corporate Governance Committee's established procedures for evaluating potential director nominees, any recommendation for director nominee submitted by a stockholder must be sent in writing to the Corporate Secretary, 3585 Monroe Street, Santa Clara, CA 95051, 120 days prior to the anniversary of the date proxy statements were mailed to stockholders in connection with the prior year's annual meeting of stockholders, except that under our bylaws, if no annual meeting was held in the previous year or the date of the annual meeting has been changed by more than 30 calendar days from the date contemplated at the time of the previous year's proxy statement, notice by the stockholders to be timely must be received not later than the close of business on the tenth day following the day on which public announcement of the date of the meeting is first made. For purposes of the foregoing, public announcement shall mean disclosure in a broadly disseminated press release or in a document publicly filed by us with the Securities and Exchange Commission. The recommendation for director nominee submitted by a stockholder must contain the following information:

the candidate's name, age, contact information and present principal occupation or employment;

a description of the candidate's qualifications, skills, background, and business experience during, at a minimum, the last five years, including his/her principal occupation and employment and the name and principal business of any corporation or other organization in which the candidate was employed or served as a director; and



Edgar Filing: EXTREME NETWORKS INC - Form DEF 14A

a statement signed by the candidate that the candidate is willing to be considered and willing to serve as a director if nominated and elected.

## **Table of Contents**

In addition, our bylaws permit stockholders to nominate directors for consideration at an annual meeting.

All directors and director nominees must submit a completed form of directors' and officers' questionnaire as part of the nominating process. The evaluation process may also include interviews and additional background and reference checks for non-incumbent nominees, at the discretion of the Nominating and Corporate Governance Committee.

The Nominating and Corporate Governance Committee will evaluate incumbent directors, as well as candidates for director nominee submitted by directors, management and stockholders consistently using the criteria stated in this policy and will select the nominees that in the Nominating and Corporate Governance Committee's judgment best suit the needs of the Board at that time.

## **Communications with Directors**

Stockholders may communicate with any and all members of our Board of Directors by transmitting correspondence by mail, facsimile or email, addressed as follows:

Board of Directors (or individually named director(s))

Extreme Networks, Inc.

c/o Robert S. Schlossman

Senior Vice President, General Counsel & Secretary

3585 Monroe Street

Santa Clara, CA 95051

The Secretary will maintain a log of communications and transmit each communication as soon as practicable to the identified director addressee(s), unless (i) there are safety or security concerns that mitigate against further transmission of the communication; or (ii) the communication contains commercial matters not related to the stockholder's stock ownership, as determined by the Secretary in consultation with outside legal counsel. The Board of Directors or individual directors will be advised of any communication withheld for safety, security or other reasons as soon as practicable.

## **Director Attendance at Annual Meetings**

We use reasonable efforts to schedule our annual meeting of stockholders at a time and date to maximize attendance by directors, taking into account the directors' schedules. In cases where management, in its reasonable business judgment, believes that stockholder attendance at our annual meeting is significant, we encourage director attendance at the annual meeting. Directors make every effort to attend our annual meeting of stockholders when meaningful stockholder attendance at the meeting is anticipated. Messrs. Canepa, Stitt and Carinalli attended our 2007

annual meeting of stockholders.

**Code of Ethics and Corporate Governance Materials**

The Board has adopted a charter for each of the committees described above which are available on our website at [www.extremenetworks.com/aboutus/investor/corpinfo.asp](http://www.extremenetworks.com/aboutus/investor/corpinfo.asp). The Board has also adopted a Code of Business Conduct and Ethics that applies to all of our employees, officers and directors. The Code of Business Conduct and Ethics can be found on our website at [www.extremenetworks.com/aboutus/investor/corpinfo.asp](http://www.extremenetworks.com/aboutus/investor/corpinfo.asp).

We believe that good corporate governance is essential to ensure that we are managed for the benefit of stockholders. The Board has adopted the Extreme Networks, Inc. Corporate Governance Guidelines to address key corporate governance issues. The Nominating and Corporate Governance Committee is responsible for reviewing the Corporate Governance Guidelines and recommending to the Board any changes to the Corporate Governance Guidelines. The Corporate Governance Guidelines can be found on our website at [www.extremenetworks.com/aboutus/investor/corpinfo.asp](http://www.extremenetworks.com/aboutus/investor/corpinfo.asp).

**Table of Contents****DIRECTORS COMPENSATION**

During our fiscal year ended June 29, 2008, the compensation policies for non-employee service on our Board and its committees were as follows:

*Cash Compensation*

Each non-employee director receives (a) \$40,000 in cash compensation annually for service in this position and (b) the applicable compensation set forth below for serving as a chair or as a member of one or more of the committees of the Board. For service on any special committee that may be formed by the Board from time to time, compensation will be determined on a case-by-case basis by the Board upon a recommendation by the Compensation Committee based on the anticipated amount of time and work related to service on the special committee and other factors as the Compensation Committee may consider. Each non-employee director receives reimbursement of expenses related to attendance of meetings of the Board and its committees.

**Annual Committee Member Compensation**

Audit Committee	\$ 20,000
Compensation Committee	\$ 10,000
Nominating and Governance Committee	\$ 10,000

**Additional Annual Retainers for Committee Chair**

Audit Committee Chair	\$ 10,000
Compensation Committee Chair	\$ 10,000

*Equity Compensation*

Each non-employee director automatically is granted an initial 8,333 shares of our restricted stock and an initial option to purchase 25,000 shares of our common stock. These options and restricted stock grants are made under our 2005 Equity Incentive Plan (the **2005 Plan**), pursuant to the standard option agreement used under the 2005 Plan for directors. The grant date for awards is generally the second trading day following the public announcement of quarterly financial results following the director's appointment. Each option and restricted stock grant will vest 1/3 each year (or, if earlier in any year, 1/3 on the date of the annual meeting in that year), subject to the respective director's continuous service on the Board for that period. There is a two year post-termination exercise period for options granted to non-employee directors during and after fiscal 2005.

On the date of each annual meeting of our stockholders, each non-employee director automatically is granted 5,000 shares of our restricted stock and an option to purchase 15,000 shares of our common stock. These options and restricted stock grants are made under the 2005 Plan, pursuant to the standard option agreement used under the 2005 Plan for directors. The exercise price per share of each option, and the grant price of each share of restricted stock, is the closing sale price of our common stock on the NASDAQ Global Market at the close of business on the date of grant (the date of the Annual Meeting). Each option and restricted stock grant will vest in full on the date one year after the date of grant (or, if earlier, the date of the next subsequent annual meeting), subject to the respective director's continuous service on the Board for that period.

## Edgar Filing: EXTREME NETWORKS INC - Form DEF 14A

As a result of the review of historical practices for stock option grants and the accounting for option grants, we did not hold our 2006 Annual Meeting until July 30, 2007. As a result, restricted stock and options were not granted to non-employee members of the Board of Directors during fiscal 2007. However, following the 2006 Annual Meeting, these directors each received a grant of 5,000 shares of our restricted stock and an option to purchase 15,000 shares of our common stock, at an exercise price of \$4.18. Following the 2007 Annual Meeting held on December 6, 2007, each non-employee director received a grant of 5,000 shares of our restricted stock and an option to purchase 15,000 shares of our common stock, at an exercise price of \$3.87. In connection with Mr. Shoemaker's appointment to the Board of Directors as of October 23, 2007, he received a grant of 8,333 shares of our restricted stock and an option to purchase 25,000

**Table of Contents**

shares of our common stock at an exercise price of \$4.25 on October 26, 2007. In addition, the Board of Directors granted Mr. Stitt an option to purchase 400,000 shares of our common stock, at an exercise price of \$3.74 on August 3, 2007 as consideration for his services as Chairman of the Board of Directors. 100,000 share of common stock were vested on the date of grant and the remaining shares of common stock subject to the option will vest monthly over three years.

On July 17, 2001, the Board of Directors ratified and approved an amended policy regarding the acceleration of vesting of shares subject to options for officers and directors upon a change-in-control (the *Amended Policy*). The Severance Plan, as described under *Executive Compensation and Other Matters; Compensation Discussion and Analysis; Executive Change in Control Severance Plan* elsewhere in this proxy statement, superseded the Amended Policy with respect to shares subject to options held by our officers. However, the Severance Plan did not change the Amended Policy's applicability to shares subject to options held by directors. Under the Amended Policy, in the event of a change in control that occurs prior to a director's termination of service with Extreme Networks, the shares subject to options shall be fully vested. The Amended Policy defines a change-in-control as a single or series of sales or exchanges of voting stock, a merger or consolidation, the sale, or transfer of all or substantially all of the assets, or a liquidation wherein the stockholders immediately before the change-in-control do not retain, immediately after the change-in-control, more than 50% of the total combined voting power of Extreme Networks or the corporation to which the assets were transferred. This Amended Policy continues to apply to all options granted to directors after July 17, 2001.

The compensation information for our non-employee directors during the fiscal year ended June 29, 2008 is set forth below:

Name	Director Fees Earned or Paid in Cash (\$)	Stock Awards (\$) <sup>(1)</sup>	Option Awards (\$) <sup>(1)</sup>	Non-Equity Incentive Plan Compensation	Change in Pension Value and Non-qualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
<b>Charles Carinalli</b>	\$ 90,000 <sup>(2)</sup>	\$ 40,250	\$ 34,113				\$ 164,363
<b>Bob L. Corey</b>	\$ 90,000 <sup>(3)</sup>	\$ 40,250	\$ 34,113				\$ 164,363
<b>Kenneth Levy</b>	\$ 52,500 <sup>(4)</sup>	\$ 40,250	\$ 34,113				\$ 126,863
<b>John C. Shoemaker</b>	\$ 45,000 <sup>(5)</sup>	\$ 54,765	\$ 45,881				\$ 145,646
<b>Harry Silverglide</b>	\$ 70,000 <sup>(6)</sup>	\$ 40,250	\$ 34,113				\$ 144,363
<b>Gordon L. Stitt</b>	\$ 40,000 <sup>(7)</sup>	\$ 40,250	\$ 461,233				\$ 541,483
<b>W. Michael West</b>	\$ 20,000 <sup>(8)</sup>	\$ 20,900	\$ 17,902				\$ 58,802

- (1) Amounts shown reflect the accounting expense recognized by us for financial statement reporting purposes in accordance with FAS 123(R), and do not reflect whether the director has actually realized a financial benefit from the award. For information on the assumptions used to calculate the value of the awards, refer to Note 7 of our consolidated financial statements in its Form 10-K for the fiscal year ended June 29, 2008, as filed with the SEC on September 9, 2008. However, in accordance with SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions.
- (2) Consists of \$40,000 for annual retainer, \$20,000 for service on the Audit Committee, \$20,000 for service as the Chairman of the Compensation Committee and \$10,000 for service on the Nominating and Corporate Governance Committee.
- (3) Consists of \$40,000 for annual retainer, \$30,000 for service as the Chairman of the Audit Committee, \$10,000 for service on the Compensation Committee and \$10,000 for service on the Nominating and Corporate Governance Committee.
- (4) Consists of \$40,000 for annual retainer and \$10,000 for service as the Chairman of the Nominating and Corporate Governance Committee and \$2,500 for attendance at Compensation Committee meetings.
- (5) Mr. Shoemaker was appointed to the Board of Directors in October 2007. Consists of \$30,000 for annual retainer and \$15,000 for service on the Audit Committee.

**Table of Contents**

- (6) Consists of \$40,000 for annual retainer, \$20,000 for service on the Audit Committee and \$10,000 for service on the Compensation Committee.
- (7) Consists of \$40,000 for annual retainer. This amount does not include \$36,164 paid to Mr. Stitt as a bonus in fiscal year 2007 in his capacity as our former Chief Executive Officer.
- (8) Mr. West, a former director, did not stand for re-election to the Board at the 2007 Annual Meeting and his term expired on December 6, 2007.

See *Corporate Governance* above in this proxy statement for more information about our Board of Directors.

**Table of Contents****PROPOSAL TWO:****RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS****FOR THE FISCAL YEAR ENDING JUNE 28, 2009**

The Board of Directors has appointed Ernst & Young LLP, independent registered public accounting firm, to serve as independent auditors to audit our financial statements for the fiscal year ending June 28, 2009. Ernst & Young LLP has acted in this capacity since its appointment in fiscal year 1997. A representative of Ernst & Young LLP is expected to be present at the annual meeting, will have an opportunity to make a statement if desired and will be available to respond to appropriate questions.

**Principal Accounting Fees and Services**

The following table sets forth the aggregate fees billed to us for the fiscal years ended June 29, 2008 and July 1, 2007 by Ernst & Young LLP:

	<b>Fiscal Year Ended June 29, 2008</b>	<b>Fiscal Year Ended July 1, 2007</b>
Audit fees <sup>(1)</sup>	\$ 1,896,000	\$ 1,870,000
Audit related fees <sup>(2)</sup>	\$ 120,000	\$ 172,000
Tax fees <sup>(3)</sup>	\$ 347,000	\$ 110,000
Audit of Restated Financials <sup>(4)</sup>	\$ 152,000	\$ 1,567,000
	<b>\$ 2,515,000</b>	<b>\$ 3,719,000</b>

- (1) Fees for audit services consist of:
  - Integrated audit of our annual consolidated financial statements and internal control over financial reporting at the end of the fiscal year;
  - Reviews of our unaudited quarterly financial statements; and
  - Statutory and regulatory audits, consents and other services related to SEC matters.
- (2) Fees for audit-related services consist of financial accounting and reporting consultations.
- (3) Tax fees relate to domestic and foreign tax planning, consultation, special projects and the preparation of various federal, state and local tax returns.
- (4) Fees for audit of restated financial statements for fiscal years 2000 to 2005 related to the investigation by the Option Special Committee.

Representatives of Ernst & Young LLP normally attend most meetings of the Audit Committee. The Audit Committee's policy is to pre-approve all audit and permissible non-audit services provided by our independent auditors. These services may include audit services, audit-related services, tax services and other services. Pre-approval is generally provided for up to one fiscal quarter and any pre-approval is detailed as to the particular service or category of services. The independent auditors and management are required to periodically report to the Audit Committee regarding the extent of services provided by the independent auditors in accordance with this pre-approval policy. During fiscal 2008 and 2007, no portion of the Audit-Related Fees or Tax Fees were approved by the Audit Committee after services had been rendered pursuant to the de minimis exception established by the SEC.



## Edgar Filing: EXTREME NETWORKS INC - Form DEF 14A

The Audit Committee on an annual basis reviews the services performed by Ernst & Young LLP, and reviews and approves the fees charged by Ernst & Young LLP. The Audit Committee has considered the role of Ernst & Young LLP in providing tax and other non-audit services to us and has concluded that these services are compatible with Ernst & Young LLP's independence as our independent auditors.

**Table of Contents**

**Vote Required and Board of Directors Recommendation**

Stockholder ratification of the selection of Ernst & Young LLP as our independent registered public accounting firm is not required by our bylaws or otherwise. The Board of Directors, however, is submitting the selection of Ernst & Young LLP to the stockholders for ratification as a matter of good corporate practice. If the stockholders fail to ratify the selection, the Audit Committee and the Board of Directors will reconsider whether or not to retain that firm. Even if the selection is ratified, the Audit Committee and the Board of Directors in their discretion may direct the appointment of different independent auditors at any time during the year if they determine that such a change would be in the best interests of us and our stockholders.

Approval of this proposal requires the affirmative vote of a majority of the shares present or represented by proxy and entitled to vote at the annual meeting of stockholders, at which a quorum representing a majority of all outstanding shares of our common stock is present and voting, either in person or by proxy. Abstentions and broker non-votes will each be counted as present for purposes of determining the presence of a quorum but will not have any effect on the outcome of the vote on this proposal.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE PROPOSAL TO RATIFY ERNST & YOUNG LLP AS EXTREME NETWORKS INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING JUNE 28, 2009.**

**Table of Contents****SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth, as of September 28, 2008, certain information with respect to the beneficial ownership of our common stock by: (i) each stockholder known by us to be the beneficial owner of more than 5% of our common stock, (ii) each executive officer named in the Summary Compensation Table below, (iii) each of our directors and director nominees, and (iv) all executive officers and directors as a group.

Except as otherwise indicated, the address of each beneficial owner is c/o Extreme Networks, Inc., 3585 Monroe Street, Santa Clara, CA 95051.

Name and Address <sup>(1)</sup>	Amount and Nature of Beneficial Ownership <sup>(2)</sup>	Percent of Class <sup>(3)</sup>
<b>Holders of Greater than 5%:</b>		
<b>Wells Fargo &amp; Company</b> 420 Montgomery Street San Francisco, California 94104	10,412,230 <sup>(4)</sup>	11.8%
<b>Trivium Capital Management, LLC</b> 600 Lexington Avenue, 23rd Floor New York, NY 10022	8,774,500 <sup>(5)</sup>	9.9%
<b>Renaissance Technologies, L.L.C.</b> 800 Third Avenue, 33rd Floor New York, NY 10022	7,573,600 <sup>(6)</sup>	8.6%
<b>Barclays Global Investors UK Holdings Limited</b> 1 Churchill Place Canary Wharf London England E14 5HP	5,775,505 <sup>(7)</sup>	6.5%
<b>Heartland Advisors, Inc.</b> 789 N. Water St. Suite 500 Milwaukee, WI 53202	4,564,356 <sup>(8)</sup>	5.2%
<b>Directors and Named Executive Officers:</b>		
<b>Mark A. Canepa</b>	659,291 <sup>(9)</sup>	*
<i>President, Chief Executive Officer and Director</i>		
<b>Karen M. Rogge</b>	178,125 <sup>(10)</sup>	*
<i>Senior Vice President and Chief Financial Officer</i>		
<b>Helmut Wilke</b>	197,916 <sup>(11)</sup>	*
<i>Senior Vice President, Worldwide Sales</i>		
<b>Alexander J. Gray</b>	62,340 <sup>(12)</sup>	*
<i>former Senior Vice President and General Manager of Scaleable Products</i>		
<b>Gordon Stitt</b>	3,910,033 <sup>(13)</sup>	4.4%
<i>Chairman of the Board of Directors</i>		
<b>Charles Carinalli</b>	584,216 <sup>(14)</sup>	*
<i>Director</i>		
<b>Bob L. Corey</b>	135,000 <sup>(15)</sup>	*
<i>Director</i>		

Edgar Filing: EXTREME NETWORKS INC - Form DEF 14A

<b>Kenneth Levy</b>	575,071 <sup>(16)</sup>	*
<i>Director</i>		
<b>John C. Shoemaker</b>	21,667 <sup>(17)</sup>	*
<i>Director</i>		
<b>Harry Silverglide</b>	136,405 <sup>(18)</sup>	*
<i>Director</i>		
<b>All Executive Officers and Directors as a Group</b>	6,460,064	7.2%

**Table of Contents**

- \* Less than 1%
- (1) Except as otherwise indicated, the persons named in this table have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them, subject to community property laws where applicable and to the information contained in the footnotes to this table.
  - (2) Under the rules of the Securities and Exchange Commission ( *SEC* ), a person is deemed to be the beneficial owner of shares that can be acquired by the person within 60 days upon the exercise of options. In general, new hire grants vest over a four year period, with twenty-five percent of the shares subject to the option vesting one year from the employee's start date, and the remaining shares subject to vesting monthly over the following 36 months at a rate of 1/48 of the total number of shares subject to the option. In general, annual option grants vest over a four year period, with all of the shares subject to the option vesting monthly over 48 months at a rate of 1/48 of the total number of shares subject to the option.
  - (3) Calculated on the basis of 88,286,162 shares of common stock outstanding as of September 28, 2008, provided that any additional shares of common stock that a stockholder has the right to acquire within 60 days after September 28, 2008 are deemed to be outstanding for purposes of calculating that stockholder's percentage of beneficial ownership. These shares are not, however, deemed to be outstanding and beneficially owned for the purpose of computing the percentage ownership of any other person. Our 88,286,162 shares of common stock outstanding as of September 28, 2008 reflects the repurchase by us of approximately 28.6 million shares of common stock in September 2008.
  - (4) According to a Form 13F-HR filed by the stockholder with the SEC on August 13, 2008.
  - (5) According to a Form 13F-HR filed by the stockholder with the SEC on August 14, 2008.
  - (6) According to a Form 13F-HR filed by the stockholder with the SEC on August 14, 2008.
  - (7) According to a Form 13F-HR filed by the stockholder with the SEC on July 25, 2008.
  - (8) According to a Form 13F-HR filed by the stockholder with the SEC on August 14, 2008.
  - (9) Includes 574,166 shares that are subject to stock options held by Mr. Canepa that may be exercised within 60 days of September 28, 2008.
  - (10) Includes 178,125 shares that are subject to stock options held by Ms. Rogge that may be exercised within 60 days of September 28, 2008.
  - (11) Includes 197,916 shares that are subject to stock options held by Mr. Wilke that may be exercised within 60 days of September 28, 2008.
  - (12) Based on our stock administration records prior to Mr. Gray's resignation effective February 15, 2008.
  - (13) Includes 240,000 shares that are subject to stock options held by Mr. Stitt that may be exercised within 60 days of September 28, 2008.
  - (14) Includes 194,216 shares held by Charles Peter Carinalli and/or Connie Sue Carinalli, Trustees of the Carinalli Living Trust dated April 24, 1996. Includes 380,000 shares that are subject to stock options that may be exercised within 60 days of September 28, 2008.
  - (15) Includes 125,000 shares that are subject to stock options held by Mr. Corey that may be exercised within 60 days of September 28, 2008.
  - (16) Includes 10,000 shares held in the Gloria and Kenneth Levy Foundation, a charitable foundation with Gloria & Kenneth Levy as trustees. Includes 330,071 shares held in The Levy Family Trust, DTD 2-18-83, Gloria and Kenneth Levy are trustees. Includes 235,000 shares that are subject to stock options that may be exercised within 60 days of September 28, 2008.
  - (17) Includes 8,334 shares that are subject to stock options held by Mr. Shoemaker that may be exercised within 60 days of September 28, 2008.
  - (18) Includes 125,000 shares that are subject to stock options held by Mr. Silverglide that may be exercised within 60 days of September 28, 2008.

**Table of Contents**

**EXECUTIVE COMPENSATION AND OTHER MATTERS**

**Compensation Discussion and Analysis**

*Compensation Philosophy and Objectives*

Our executive compensation philosophy and objectives are to attract high quality candidates for senior leadership positions, to retain these employees and to establish a total compensation program which motivates and rewards individual and team performance in alignment with our goals, principal among which is the creation of stockholder value.

We establish market competitive target levels of total compensation, focusing on both current pay and the opportunity for long term and future compensation. Annual compensation for a given executive is determined with reference to competitive market data, experience, knowledge, skills, education, performance and importance to the business.

*What Our Compensation Program Is Designed to Reward*

Our compensation program is designed to motivate individual and team accountability for our absolute and relative competitive performance.

*Named Executive Officers*

This *Executive Compensation* section of our proxy statement presents compensation earned by our named executive officers (as defined by SEC rules), including certain individuals who were executive officers during only portions of the past fiscal year. For the fiscal year ended June 29, 2008, our named executive officers and their respective titles were as follows:

<b>Name</b>	<b>Title</b>	<b>Date of Employment</b>
<b>Mark A. Canepa</b>	<i>President, Chief Executive Officer and Director</i>	August 30, 2006
<b>Karen M. Rogge</b>	<i>Senior Vice President and Chief Financial Officer</i>	April 2, 2007
<b>Helmut Wilke</b>	<i>Senior Vice President, Worldwide Sales</i>	April 2, 2007
<b>Alexander J. Gray</b>	<i>Former Senior Vice President and General Manager of Scaleable Products</i>	Resigned February 15, 2008

Compensation for each of these named executive officers is described in detail below.

*Compensation Process*

*Compensation Process*

Under its charter, the Compensation Committee has responsibility for, among other things, discharging the Board's responsibilities relating to compensation and benefits of our officers, including responsibility for evaluating and reporting to the Board on matters concerning management performance, officer compensation and benefits plans and programs. In carrying out these responsibilities, the Compensation Committee is required to review all components of executive officer compensation for consistency with our compensation philosophy.

Our CEO and our Vice President of Human Resources assist the Compensation Committee in its deliberations with respect to the compensation of the named executive officers, except that our CEO does not participate in the Compensation Committee's deliberations regarding his own compensation determination, other than discussing his performance objectives with the Compensation Committee. The other named executive officers do not participate in the Compensation Committee's deliberations regarding their own compensation.

## **Table of Contents**

determination, other than discussing individual performance objectives with our CEO. Our CEO does not have the ability to call Compensation Committee meetings, but he may attend meetings as requested by the Committee to the extent that there is no discussion of his own compensation while he is participating in the meeting. The Committee maintains the sole discretion to engage third-parties to provide support in executing the Committee's duties under the Committee's charter.

The Compensation Committee Chair working with the Vice President of Human Resources has established a schedule of meetings and topics to be addressed to support the committee in fulfilling their fiduciary responsibility to stockholders. At the end of the fiscal year, our CEO conducts a quantitative assessment of each named executive officer's performance for the past fiscal year based upon the officer's individual and team business goals and objectives. The assessment typically considers performance against the pre-defined and approved goal in addition to each named executive officer's technical and vocational competence, on-time delivery of programs, recruitment, retention and team development expected of all named executive officers. Our CEO and our Vice President of Human Resources also review the competitive benchmarking assessments of similarly situated executives in comparable companies in our industry with whom we directly compete in our hiring and retention of executives. Our CEO then makes specific recommendations to the Compensation Committee for any changes to base salary, target bonus opportunities, other cash incentives and equity awards, if appropriate. The Compensation Committee considers these proposals and makes any final approvals required in executing their duties. In addition, the Compensation Committee similarly assesses the performance of our CEO, based on the achievement of the approved financial goals, performance metrics, and strategic objectives identified to improve the company's operating performance. Our CEO is not present at the time the Compensation Committee reviews his performance and discusses his compensation.

Our CEO also develops our overall business plan, corporate goals and strategic objectives in consultation with the Compensation Committee and translates these corporate goals into specific corporate performance metrics and performance targets for the named executive officers. The Committee similarly establishes the specific goals and metrics for our CEO against the business plan. Based on these goals and metrics, the Committee approves annual incentive bonus plans for our executives, including the named executive officers.

### *Peer Group Selection and Benchmarking;*

We believe it is essential to attract and retain experienced and proven performers. Accordingly, the Compensation Committee seeks to set the base salary and total compensation of our executives, including the named executive officers, at the 50<sup>th</sup> percentile of the compensation of similarly-situated executives in comparable companies in our industry with whom we directly compete in our hiring and retention of executives. However, the Compensation Committee has the authority to approve position specific compensation packages that are above or below this level based on the executive's specific experience, knowledge, skills, education, performance and importance to the business. In addition to these factors, the Committee also considers the information provided by their advisors and the comparative compensation of our other officers when determining an individual's actual pay level.

For our fiscal year ended June 29, 2008, the Compensation Committee engaged Radford, a division of the Aon Corporation, as an independent advisor to conduct a comprehensive review of our executive compensation philosophy, strategies and practices, and to advise the Compensation Committee regarding the results of its review. Radford reports directly to the Compensation Committee, and works with management to gain access to compensation information. We paid the fees charged by Radford for its engagement by the Compensation Committee with respect to its services related to fiscal year 2008 compensation.

The Committee requested that Radford independently determine the appropriate comparative framework and peer group to assess the pay levels and structure of our executive compensation plan. Radford gained input for this aspect of the work from our CEO, Vice President of Human Resources and members of the Compensation Committee. Radford gathered pay levels and pay design information from various data sources,





**Table of Contents**

including public filings for the peer companies and the Radford Executive Survey, focused on networking and technology companies in the \$200 million – \$800 million revenue range. The Compensation Committee approved the philosophy and peer group as a reflection of the scope and complexity of the business and specific responsibilities of our executive positions. Radford presented the results of their assessment to the Compensation Committee, Vice President of Human Resources and our CEO. The assessment was then used by our CEO to recommend changes to executive compensation for the fiscal year ended June 29, 2008.

For the Compensation Committee’s deliberations of fiscal year 2008 executive compensation, the Compensation Committee reviewed a Radford Benchmark Survey with a benchmark group comprised of the following companies:

3Com Corporation

Adaptec, Inc.

ADTRAN, Inc.

Avocent Corporation

Brocade Communications Systems, Inc.

Ciena Corporation

Emulex Corporation

F5 Networks, Inc.

Foundry Networks, Inc.

Harmonic Inc.

MRV Communications Inc

NETGEAR, Inc.

Novatel Wireless, Inc.

Packeteer, Inc.

QLogic Corporation

Quantum Corporation

Rackable Systems, Inc.

RadiSys Corporation

STEC Inc.

Westell Technologies, Inc.

The Radford assessment examined a range of pay levels including the 25<sup>th</sup>, 50<sup>th</sup> and 75<sup>th</sup> percentile of the applicable benchmark group to reflect a range of pay to be considered when determining individual pay elements. The committee used this approach to understand the range of pay levels and practices to ensure pay was fair and reasonable from both an executive and stockholder.

Mr. Canepa, our President and CEO, has a base salary and aggregate cash compensation (inclusive of bonus) that is within our benchmark target. However, his equity ownership position is somewhat higher than our benchmark target because our Compensation Committee wished to emphasize long term performance for our CEO. Ms. Rogge, our Senior Vice President and Chief Financial Officer, has a base salary and aggregate cash compensation which is higher than our benchmark target because this level of compensation was necessary to recruit a Chief Financial Officer with the necessary experience and skills for the position and to provide a sufficient incentive for Ms. Rogge to accept the position. Mr. Wilke, our Senior Vice President, Worldwide Sales, has a base salary that is within our benchmark target, but his target bonus increases his aggregate cash compensation such that it exceeds our benchmark target. His equity ownership position also exceeds our benchmark target. The Compensation Committee intended for the higher-than-benchmark aggregate cash compensation package to incentivize Mr. Wilke to achieve the company's near-term revenue targets. In addition, the Compensation Committee wished to emphasize long term performance and a sustainable business growth plan through Mr. Wilke's equity ownership position. We further explain the various components of each of these executive's compensation programs below.

#### ***Compensation Program Elements and How Each Element is Chosen***

Hiring, developing and retaining our human capital are essential to executing our corporate strategy and meeting our milestones and objectives. The objective of our compensation program is to attract high quality candidates for senior leadership positions, to retain these employees, and to establish a total compensation program which motivates and rewards individual and team performance in alignment with our goals and the

## **Table of Contents**

creation of stockholder value. To achieve this objective, the Compensation Committee believes that the named executive officers must be offered competitive:

base salary;

annual cash incentives;

long-term equity incentives;

change in control and severance benefits; and

benefits plans.

The Compensation Committee does not have a set formula for determining the mix of pay elements for named executive officers. Our compensation packages are designed to compete with other networking companies with which we compete for talent. Each element of our compensation program is designed to support our overall compensation objectives and provide the optimal balance between fixed and variable compensation and cash and equity compensation. A competitive base salary and benefits plan are offered to attract and retain talented employees, while variable compensation elements such as annual cash incentives and long-term equity incentives are intended to encourage and reward employees who help achieve our overall corporate goals and their individual employee objectives. The variable and fixed compensation elements are balanced to reward short-term performance with annual cash incentives and long-term performance with equity incentives, which also align the interests of our employees with those of our stockholders. The vesting schedules for equity awards also help encourage employee retention. We offer a comprehensive benefits package of healthcare, disability and insurance coverage as well as an employee-funded, employer-matched 401(k) retirement plan.

Other than certain change in control and severance benefits, our executives generally receive only compensation elements that are provided to our rank-and-file employees.

### *Base Salary*

Base salary is the fixed, primary element of compensation for our named executive officers. At the time of the hiring of any named executive officer, we negotiate an initial base salary with the executive. Generally, negotiations are conducted by our CEO and our Vice President of Human Resources on our behalf. The Compensation Committee or the Board of Directors generally consults with our CEO on negotiations and approves a competitive range for base salaries for newly-hired named executive officers. The Compensation Committee seeks to negotiate base salaries for executives consistent with our philosophy to pay at or around the 50<sup>th</sup> percentile, depending on the specific position, of the base salaries of similarly-situated executives in comparable companies in our industry with whom we directly compete in our hiring and retention of executives (see *Peer Group Selection and Benchmarking; Compensation Consultant*, above). In addition, the Compensation Committee has the authority to negotiate and/or set base salaries as deemed appropriate to attract specific candidates, based on their experience, knowledge, skills, education and our needs.

## Edgar Filing: EXTREME NETWORKS INC - Form DEF 14A

Each fiscal year, the Compensation Committee, in consultation with our CEO and our Vice President of Human Resources, reviews the base salaries of the named executive officers and determines whether any changes are appropriate for the next fiscal year. During this review, the Compensation Committee takes multiple factors into consideration. In July 2007, the Compensation Committee evaluated the performance during the fiscal year ended July 1, 2007 for each of the named executive officers and the competitive benchmark information provided by Radford related to each officer's compensation and other appropriate factors. The Compensation Committee approved a \$19,300 base salary increase for Mr. Canepa for fiscal year 2008, from \$480,000 to \$499,300 (an increase of 4%) based on the improved performance of our business and the comparable pay for similarly-situated executives. This increase was consistent with the increase in our base salary budget for employees as a whole. The Compensation Committee did not consider or make any changes to Mr. Wilke's and Ms. Rogge's base salary due to their recent start of employment with us during the fiscal year ending July 1, 2007. In addition,

## Table of Contents

the Compensation Committee did not make any change to Mr. Gray's base salary because it was above the relevant benchmarks for similarly-situated executives in comparable companies in our industry.

### *Cash Incentives and Bonuses*

Each fiscal year, the Compensation Committee approves incentive bonus plans to provide cash bonus payments to officers and employees, including the named executive officers, based upon attainment of annual corporate objectives approved by the board. Mr. Wilke, our Senior Vice President, Worldwide Sales, participates in the executive incentive bonus plan in addition to a sales commission-based cash bonus program. The Compensation Committee approves the specific target incentive opportunities for each named executive officer after considering input from our CEO, competitive benchmark information provided by Radford and the annual operating plan. The Compensation Committee reviews and approves the executive incentive bonus plans early in each fiscal year and approves the actual payouts under the plans after the end of the fiscal year. These plans are designed to deliver short-term cash incentive compensation for achieving business goals to each named executive officer at or around the 50<sup>th</sup> percentile of the compensation of similarly-situated executives in comparable companies in our industry, while allowing payments at or around the 75<sup>th</sup> percentile for significantly exceeding the corporate objectives. This approach, which is consistent with our philosophy to pay for performance, will lead to variability from year to year in the bonus payments earned by the named executive officers.

### *2008 Executive Incentive Bonus Plan*

In July 2007, our Board, upon the recommendation of the Compensation Committee, approved the terms of our Fiscal 2008 Executive Incentive Bonus Plan (the **2008 Bonus Plan**). The 2008 Bonus Plan provided for the payment of cash bonuses based on achievement of our revenue and net profit objectives and individual and team performance objectives. The Compensation Committee selected revenue and net profit as the most important metrics for determining bonus payments because the Compensation Committee believed that success in these areas would most directly benefit stockholders. The Compensation Committee believed that the 2008 net profit and revenue objectives were challenging targets that served as incentives to our officers, including the named executive officers, and were not merely modest targets where achievement was relatively assured. We do not disclose our specific revenue or profit targets in this proxy statement because of the competitive nature of this information.

*Under the 2008 Bonus Plan, the actual bonus payments to executives were calculated as follows:*

**Step #1:** Corporate performance is measured to determine the percent of achievement against the approved revenue and net profit objectives (the **Company Performance Factor**). There is equal weighting allocated to each of the revenue and net profit objectives and the Company Performance Factor does not vary based on an executive's position and responsibilities. Under the plan, the Company Performance Factor could have ranged from 0% to a maximum of 200% based on achievement of these objectives. The actual realized Company Performance Factor was 40% for the fiscal year ended June 29, 2008.

**Step #2:** Individual performance is measured by assessing the specific contribution to the achievement of functional and company goals by each executive and the particular team(s) with which the executive provides services to us (the **Individual Performance Factor**). The Individual Performance Factor may add percentage points to or deduct percentage points from the calculation of the individual executive's bonus, provided that the addition or deduction may not exceed twenty-five percentage points. For the fiscal year ended June 29, 2008, the individual performance of executives was measured based on goals in the general areas of:

product development;

innovation;

sales execution;

operating efficiency; and

leadership.

**Table of Contents**

**Step #3:** Using the Company Performance Factor and the Individual Performance Factor, actual incentives are calculated based on (i) a target incentive for each executive which is expressed as a percent of base salary and (ii) wages actually earned during the fiscal year ended June 29, 2008 (except for Mr. Wilke whose bonus payment is calculated based on \$75,000).

In summary, the actual bonus payment to each of the named executive officers was calculated as follows:

Total Bonus for Mr. Canepa and Ms. Rogge = (Corporate Performance Factor + Individual Performance Factor) x Individual Target Incentive x Fiscal 2008 Wages.

Total Bonus for Mr. Wilke = (Corporate Performance Factor + Individual Performance Factor) x \$75,000.

No bonus was paid to Mr. Gray as a result of his resignation in February 2008.

The following table sets forth information regarding the actual payouts for each named executive officer under the 2008 Bonus Plan:

	Company Performance Factor	Individual Performance Factor	Target Incentive (% of Base Salary)	Base Salary Actually Earned in FY 2008	Actual Total Bonus Amount Earned for FY 2008 (\$)	Actual Earned Incentive as a % of Base Salary in FY 2008
<b>Mark A. Canepa</b>	40%		70%	\$ 494,475	\$ 138,453	28%
<i>President, Chief Executive Officer and Director</i>						
<b>Karen M. Rogge</b>	40%		60%	\$ 350,000	\$ 84,000	24%
<i>Senior Vice President and Chief Financial Officer</i>						
<b>Helmut Wilke</b>	40%	2%	NA	\$ 75,000*	\$ 31,500	NA
<i>Senior Vice President, Worldwide Sales</i>						

\* Based on \$75,000 regardless of base salary.

In determining the individual performance factor, the Compensation Committee concluded that Mr. Canepa and Ms. Rogge had met expectations with respect to their contribution to the achievement of functional and company goals under the plan and that Mr. Wilke s had exceeded expectations in the area of improving the execution of our sales team. Accordingly, the Compensation Committee allocated a two percentage point increase for Mr. Wilke through the Individual Performance Factor.

2008 SVP Sales Commission Program



In July 2007, the Compensation Committee approved the terms of a commission bonus program (the *2008 SVP Sales Commission Program*) for Mr. Wilke, separate from and in addition to the amount that could be earned under the 2008 Bonus Plan. The bonus program is derived from our overall sales revenue quota levels for Mr. Wilke. The total target bonus for fiscal 2008 for Mr. Wilke was \$175,000, while the actual bonus earned by Mr. Wilke was \$166,600. As with the performance targets established for the named executive officers, the Compensation Committee believed that the 2008 revenue objectives were challenging targets that served as incentives to Mr. Wilke and are not merely modest targets where achievement was relatively assured.

#### *Sign-On Bonuses*

The Compensation Committee, in consultation with our CEO, may agree to grant a sign-on bonus during hiring negotiations with an executive. In the fiscal year ended June 29, 2008, we provided a sign-on bonus in the amount of \$25,000 to Mr. Wilke and a sign-on bonus in the amount of \$25,000 to Ms. Rogge in connection with the start of their employment in the fiscal year ended July 1, 2007.

## **Table of Contents**

### *Equity Compensation Awards*

Equity compensation has traditionally been a prominent element of our executive compensation program which provides long-term incentives to our executives. Equity awards align the interests of our executives with those of our stockholders because the value of the equity awards will increase only when we perform. They also help to retain executives because they generally are subject to vesting in connection with continued service over a specified period of time.

### *2005 Equity Incentive Plan*

Under our 2005 Equity Incentive Plan (the **2005 Plan**), we may grant stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance units, and other share-based or cash-based awards to employees and consultants. The 2005 Plan also authorizes the grant of awards of stock options, stock appreciation rights, restricted stock and restricted stock units to non-employee members of the board of directors and deferred compensation awards to officers, directors and certain management or highly compensated employees. The 2005 Plan replaces the 1996 Stock Option Plan (the **1996 Plan**), 2000 Nonstatutory Stock Option Plan (the **2000 Plan**) and 2001 Nonstatutory Stock Option Plan (the **2001 Plan**). The 2005 Plan authorizes the issuance of up to 12,000,000 shares of our common stock. In addition, 11,000,000 shares subject to awards outstanding under the 1996 Plan, the 2000 Plan, and the 2001 Plan that expire have been added to the number of shares available for future grant under the 2005 Plan. As of September 28, 2008, 11,617,574 shares were available for future grant under the 2005 Plan.

Under the 2005 Plan, all stock options must be granted with an exercise price per share that is not less than the fair market value of a share of our common stock on the effective date of grant of the option.

### *New Hire Grants; Promotional Grants*

Generally, we grant equity awards to our new employees, including our named executive officers, in connection with the start of their employment. At the time of the hiring of any named executive officer, we negotiate equity compensation with the executive. Generally, negotiations are conducted by our CEO and our Vice President of Human Resources on our behalf. The Compensation Committee or the Board of Directors generally consults with our CEO on negotiations and approves the negotiated equity compensation for newly-hired named executive officers. From time to time, we also grant equity awards in connection with the promotion of employees. The Compensation Committee seeks to negotiate equity compensation for any newly-hired or promoted executives, including named executive officers, at the 50<sup>th</sup> percentile, depending on the specific position, of the equity compensation of similarly-situated executives in comparable companies in our industry (see *Peer Group Selection and Benchmarking; Compensation Consultant*, above). For this purpose, the benchmark value attributed to equity compensation is based on examining the Black-Scholes value of options and the number of shares underlying options as a percent of outstanding shares of common stock. The Compensation Committee may approve a grant above or below this level based on information from our CEO and our Vice President of Human Resources and considering the specific goals for attracting or retaining the executive based on several factors including experience, knowledge, skills, education and our needs.

New-hire stock options granted to named executive officers generally vest as follows: one-fourth vests one year after the officer's employment start date, and the remaining shares vest monthly over the following three years at a rate of 1/48th of the entire option each month, subject to the officer's continued employment with us. Promotional stock options granted to named executive officers generally vest as follows: monthly over the four years following the date of grant at a rate of 1/48th of the entire option each month, subject to the officer's continued employment with us. However, the Board or the Compensation Committee has approved certain exceptions to vesting schedules for new-hire and promotional

stock option grants in the past. For example, see *Change in Control and Severance Agreements*, below.

**Table of Contents**

Named executive officers received the following negotiated equity compensation packages in the fiscal year ended June 29, 2008 in connection with the start of their employment with us in the fiscal year ended July 1, 2007:

Named Executive Officer	Equity Award Grant Date	Number of Shares Subject to Stock Option Grant Approved	Other Equity Award, If Any
<b>Karen M. Rogge</b> <i>Senior Vice President and Chief Financial Officer</i>	August 3, 2007	450,000	None
<b>Helmut Wilke</b> <i>Senior Vice President, Worldwide Sales</i>	August 3, 2007	500,000	None

There were no promotional grants to named executive officers in fiscal year 2008.

*Annual Merit Grants*

We have typically granted each named executive officer an additional stock option grant on an annual basis, with the goal of providing continued incentives to retain strong executives and improve corporate performance. Our executive officers generally receive annual stock option grants concurrently with our other employees at the time of our annual merit-based stock option grant considerations. Each fiscal year at this time, the Compensation Committee, in consultation with our CEO and our Vice President of Human Resources, reviews the equity compensation of the named executive officers and determines whether any changes are appropriate. During the review, the Compensation Committee takes multiple factors into consideration. In the fiscal year ended June 29, 2008, the Compensation Committee targeted the equity compensation for each named executive officer at the 50<sup>th</sup> percentile, depending on the specific position, of the compensation of similarly-situated executives in comparable companies in our industry (see *Peer Group Selection and Benchmarking; Compensation Consultant*, above). After reviewing market data for each named executive officer's position, the Compensation Committee considers each executive's experience, scope of responsibilities, performance, and expected future contribution to our business and stockholder value, vested and unvested equity holdings and underwater options before approving the grants.

Merit based annual stock options granted to named executive officers generally vest as follows: monthly over the four years following the date of grant at a rate of 1/48<sup>th</sup> of the entire option each month, subject to the officer's continued employment with us. However, the Board or the Compensation Committee has approved certain exceptions to vesting schedules in the past. For example, see *Change in Control and Severance Agreements*, below.

In October 2007, the Compensation Committee evaluated the performance of each of our executives for the fiscal year ended July 1, 2007, the competitive benchmark information related to each officer's compensation and other appropriate factors. To support our strategic initiatives and address retention concerns, the Compensation Committee established an equity strategy to provide executives with an above target merit grant that was similar in size to a new hire grant. Each executive's grant was divided equally into a standard option and a retention option for vesting purposes. The standard option vests over four year in a manner consistent with our standard merit based annual stock options. The retention grant vests over five years as follows: none of the shares vest in the first or second year following the date of grant and the remaining shares vest annually at a rate of 1/3<sup>rd</sup> of the entire option per year over the remaining three year vesting period. In fiscal 2009, the Compensation Committee does not expect to make annual merit grants to executives who received the above target grants in fiscal 2008.

## Edgar Filing: EXTREME NETWORKS INC - Form DEF 14A

Based on the considerations described above, in October 2007, the Compensation Committee recommended to the Board, and the Board approved the grant of options to purchase:

840,000 shares of common stock to Mr. Canepa, and

255,000 shares of common stock to Mr. Gray.

## **Table of Contents**

Each of the above options was split equally between a standard option and a retention option. The Board did not approve merit grants for Ms. Rogge and Mr. Wilke due to their relatively recent start of employment with us in the fiscal year ended July 1, 2007. Ms. Rogge and Mr. Wilke are eligible to receive annual merit grants during the fiscal year ended June 28, 2009.

### *Award Granting Procedures; Policy on Timing of Equity Grants*

Our processes with regard to grants of equity compensation awards to Board members, officers, and non-officer employees is as follows:

The general practice for grants to all new hires, and for out of cycle promotions and merit purposes is to make grants once per quarter, during open trading windows only, on the second trading day following the public announcement of quarterly financial results, pursuant to a list to be circulated to the appropriate granting authority prior to the proposed approval date.

All grants are to be approved by the Compensation Committee.

Grants are to be approved at Compensation Committee meetings (not by unanimous written consent, except in extraordinary circumstances).

There is to be no delegated granting authority to management.

The Board and management are to continue monitoring processes and policies recommended by the U.S. Securities and Exchange Commission, self-regulatory authorities and outside advisors.

All Board and Committee minutes are to be circulated to the directors as soon as reasonably practicable (generally, within two weeks of meeting). Counsel should attend all Board and Compensation Committee meetings.

The Board has directed management to propose a mechanism for monitoring compliance with and reporting to the Board on our policies and procedures relating to options grants.

These new processes were adopted by the Board in April 2007, and are designed to ensure that we continue to employ best practices and procedures with respect to equity compensation awards.

In addition, we monitor the number of shares that we are utilizing for all of our equity compensation programs, including new hire grants, promotional grants and annual merit grants, in order to prudently manage stock option expense and potential dilution of stockholder ownership. The Compensation Committee in consultation with Radford approved a target gross equity pool that could be used for all grants issued to new hires, promotion grants and merit grants, and to reflect industry practices for managing the overall stock option burn rate. In compliance with industry best practices and guidance from Risk Metrics Institutional Stockholder Services (ISS), the Compensation Committee examines the trends for burn rate levels and equity vehicles to manage the plan within the standards and norms established by ISS. Our dilution rate is measured as a gross number of equity awards in a given year, expressed as a percentage of the outstanding common stock at the end of each fiscal year.

*Change in Control and Severance Agreements*

The named executive officers are employed at-will. However, from time to time, we implement plans or enter into agreements that would provide benefits payable to certain employees, including named executive officers, in connection with the termination of employment, a change in our control or other situations. The Compensation Committee considers plans, agreements and benefits in order to be competitive in the hiring and retention of employees, including named executive officers, in comparison with comparable companies with which we compete for talent. In addition, these benefits are intended to retain our officers during the pendency of a proposed change in control transaction and align the interests of our officers with our stockholders in the event of a change in control. We believe that proposed or actual change in control transactions can adversely impact

## **Table of Contents**

the morale of officers and create uncertainty regarding their continued employment. Without these benefits, officers may be tempted to leave us prior to the closing of the change in control, especially if they do not wish to remain with the entity after the transaction closes, and any departures could jeopardize the consummation of the transaction or our interests if the transaction does not close. The Compensation Committee believes that these benefits therefore serve to enhance stockholder value in the transaction, and align the officers' interest with those of our stockholders in change in control transactions.

These agreements with the named executive officers are described under *Summary of Employment and Other Agreements* elsewhere in this proxy statement. The potential payments that each of the named executive officers would have received if a change in control or termination of employment would have occurred on June 29, 2008 (the last business day of the last fiscal year) are set forth under the section titled *Potential Payments Upon Termination or Change in Control* elsewhere in this proxy statement.

### *Other Benefits*

We provide other customary benefits that are comprehensive and apply uniformly to all of our employees, including our named executive officers. The purpose of this element of compensation is to provide assurance of financial support in the event of illness or injury, encourage retirement savings and encourage additional equity ownership by our employees. Our employee benefits program includes medical, dental, prescription drug, Medical and Dependent Care Flexible Spending contribution, vision care, disability insurance, life insurance benefits, business travel insurance, 401(k) savings plan with employer match, educational assistance, employee assistance program and holidays. We do not include a fixed vacation allowance for named executive officers, as they typically travel extensively and are required to be available to us even while vacationing. We do not provide a defined benefit retirement pension plan, supplemental life insurance or the use of company vehicles to our named executive officers.

In January 1999, the Board of Directors approved the adoption of the Extreme Networks 1999 Employee Stock Purchase Plan (the *Purchase Plan*). On December 2, 2005, the stockholders approved an amendment to the Purchase Plan to increase the maximum number of shares of common stock that may be issued under the plan by 5,000,000 to a total of 12,000,000 shares. The Purchase Plan permits eligible employees, including the named executive officers, to acquire shares of our common stock through periodic payroll deductions of up to 15% of total compensation. No more than 625 shares may be purchased on any purchase date per employee. During most of fiscal year 2007, each offering period had a maximum duration of 12 months, although no offering period was open during fiscal year 2007, primarily due to our lack of timely filing of its periodic reports with the SEC, which delinquency we cured in June 2007. Also in June 2007, the Board approved a change to the Purchase Plan such that each offering period has a maximum duration of 3 months. The price at which the common stock may be purchased is 85% of the lesser of the fair market value of our common stock on the first day of the applicable offering period or on the last day of the respective purchase period. Through September 28, 2008, our named executive officers have not participated in the Purchase Plan.

### *Tax Considerations*

The Compensation Committee has considered the provisions of Section 162(m) of the Internal Revenue Code and related Treasury Department regulations, which restrict deductibility of executive compensation paid to our named executive officers holding office at the end of any year to the extent this compensation exceeds \$1,000,000 for any of these officers in any year and does not qualify for an exception under the statute or regulations. Income from options granted under our stockholder-approved stock option plan would generally qualify for an exemption from these restrictions so long as the options are granted by a committee whose members are outside directors (as defined by Section 162(m)) and have an exercise price no less than the fair market value of the shares on the date of grant. We expect that the Compensation Committee will continue to be comprised solely of outside directors, and that any options granted to our executive officers will be approved by the Compensation Committee. The Compensation Committee does not believe that in general other components





**Table of Contents**

of our compensation will be likely to exceed \$1,000,000 for any executive officer in the foreseeable future, and therefore concluded that no further action with respect to qualifying this compensation for deductibility was necessary at this time. In the future, the Compensation Committee will continue to evaluate the advisability of qualifying its executive compensation for deductibility. The Compensation Committee's policy is to qualify its executive compensation for deductibility under applicable tax laws as practicable.

**Stock Ownership Guidelines**

At present, the Compensation Committee has not established any equity or security ownership requirements for its executive officers which is a policy that is reviewed annually as part of the regular review of our pay plans. The Compensation Committee believes that a large portion of executive officer compensation should be issued in the form of long-term equity incentive awards to encourage a focus on growth, profitability, stock price appreciation, insider ownership of stock and retention of executive officers. We prohibit hedging of economic risk of the executive officers' ownership of our stock.

**Summary Compensation Table**

The following table sets forth information for fiscal year 2008 concerning the compensation of our named executive officers (as defined by SEC rules):

**SUMMARY COMPENSATION TABLE**

Name and Principal Position	Year	Salary(\$)	Bonus (\$) <sup>(1)</sup>	Stock Awards (\$) <sup>(2)</sup>	Option Awards (\$) <sup>(2)</sup>	Non-Equity Incentive Plan Compensation (\$) <sup>(1)</sup>	All Other Compensation (\$) <sup>(3)</sup>	Total (\$)
<b>Mark A. Canepa</b> <i>President, Chief Executive Officer and Director</i>	2007	403,692		76,365	249,373	60,756	4,639	794,825
	2008	494,475			996,912	138,453	7,925	1,637,765
<b>Karen M. Rogge</b> <i>Senior Vice President and Chief Financial Officer</i>	2007	87,500				52,500		140,000
	2008	350,000	25,000		480,510	84,000	5,655	945,165
<b>Helmut Wilke</b> <i>Senior Vice President, Worldwide Sales</i>	2007	68,750				47,407 <sup>(4)</sup>	628	116,785
	2008	275,000	25,000		533,900	198,100 <sup>(5)</sup>	6,319	1,038,319
<b>Alexander J. Gray<sup>(6)</sup></b> <i>Former Senior Vice President and General Manager of Scalable Products</i>	2007	400,000		206,201	55,465	56,320	2,492	720,478
	2008	250,000			302,634		2,927	555,561

- (1) Bonuses for each of Ms. Rogge and Mr. Wilke were one time, lump sum cash payments for accepting employment with us. Performance-based bonuses are generally paid under our 2008 Bonus Plan and 2008 SVP Sales Commission Plan (as defined under *Compensation Discussion and Analysis* elsewhere in this proxy statement) and reported as Non-Equity Incentive Plan Compensation. Except as otherwise noted, amounts reported as Bonus represent discretionary bonuses awarded by the Compensation Committee.

## Edgar Filing: EXTREME NETWORKS INC - Form DEF 14A

- (2) Amounts shown reflect the accounting expense recognized by us for financial statement reporting purposes in accordance with FAS 123(R), and do not reflect whether the named executive officer has actually realized a financial benefit from the award. For information on the assumptions used to calculate the value of the awards, refer to Note 7 of our consolidated financial statements in its Form 10-K for the fiscal year ended June 29, 2008, as filed with the SEC on September 9, 2008. However, in accordance with SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions.

---

**Table of Contents**

- (3) Except as otherwise indicated, represents discretionary matching contributions made by us under our tax-qualified employee savings and retirement plan, commonly known as a 401(K) plan and contributions to group term life insurance.
- (4) Includes \$40,806 of sales commission under the 2007 SVP Sales Commission Plan.
- (5) Includes \$166,600 of sales commission under the 2008 SVP Sales Commission Program.
- (6) Mr. Gray resigned from employment with us as of February 15, 2008.

**Summary of Employment and Other Agreements**

The following is a description of employment and other agreements between us and the named executive officers:

***President, Chief Executive Officer and Director***

Under an offer letter of employment, Mr. Canepa was to be paid an annual base salary of \$480,000 (which the Board increased to \$499,300 effective October 1, 2007), less applicable taxes and withholdings. He also is eligible to participate in our bonus plans. In addition, Mr. Canepa was granted a one-time option to acquire 850,000 shares of our common stock (the ***Canepa Option***) at the current fair market value of our common stock as of August 30, 2006, his first date of employment with us. One-fourth of these shares shall vest one year after the commencement of Mr. Canepa's employment with us, and the remaining shares will vest monthly over the following three years at a rate of 1/48<sup>th</sup> of the entire option each month, subject to Mr. Canepa's continued employment with us. Mr. Canepa also received a one-time grant of 100,000 restricted stock units (the ***Canepa RSU***) that will vest at the rate of 50% on August 15, 2008 and one-fourth of the remaining balance each six months thereafter, subject to Mr. Canepa's continued employment with us. The vesting of the shares subject to the Canepa Option and the Canepa RSU may be accelerated upon a change in control, pursuant to the terms and conditions of the Severance Plan (as defined below under ***Executive Change in Control Severance Plan***). In addition, in the absence of a change in our control, in the event that Mr. Canepa's employment is terminated without cause or suffers a material adverse change in his position or duties, subject to his execution of a release of claims against us, Mr. Canepa will be entitled to (i) 12 months of his base salary then in effect, (ii) a pro rata portion of his annual bonus for that fiscal year, (iii) acceleration of 12 months of vesting of the shares subject to the Canepa Option and the Canepa RSU, and (iv) reimbursement of 12 months of COBRA premiums.

***Senior Vice President and Chief Financial Officer***

Under an offer letter of employment, Ms. Rogge is to be paid an annual base salary of \$350,000, less applicable taxes and withholdings, and is eligible to participate in our bonus plans. Ms. Rogge was granted a one-time option to acquire 450,000 shares of our common stock at the current fair market value of our common stock as of August 3, 2007, the date of grant of the stock option. One-fourth of these shares shall vest one year after the commencement of Ms. Rogge's employment with us, and the remaining shares will vest monthly over the following three years at a rate of 1/48<sup>th</sup> of the entire option each month, subject to Ms. Rogge's continued employment with us. The vesting of the shares subject to this option may be accelerated upon a change in control, pursuant to the terms and conditions of the Severance Plan (as defined below under ***Executive Change in Control Severance Plan***). Further, Ms. Rogge is entitled to a lump sum payment equal to six months of her base salary at the time of termination in the event that we terminate Ms. Rogge's employment for a reason other than cause, which is defined as including, but is not limited to, incidences of fraud or commission of a felony, failure to attend work on a regular basis, a material breach of our policies or failure to follow a specific written instruction from the President, CEO or the Board of Directors.

***Senior Vice President, Worldwide Sales***

Edgar Filing: EXTREME NETWORKS INC - Form DEF 14A

On or about February 2007, we entered into an offer letter of employment with Mr. Wilke for service as our Senior Vice President, Worldwide Sales, with a start date of April 2, 2007. Pursuant to the terms the offer letter

---

## Table of Contents

of employment, Mr. Wilke is to be paid an annual base salary of \$275,000, less applicable taxes and withholdings, and he was eligible to participate in the 2007 Bonus Plan with an annual bonus target of \$75,000, and to participate in the 2007 SVP Sales Commission Plan with an annual bonus target of \$175,000, with each bonus to be pro-rated based on his length of time as a regular employee in our fiscal year 2007. In addition, Mr. Wilke was granted a one-time option to acquire 500,000 shares of our common stock at the current fair market value of our common stock as of August 3, 2007, the date of grant of the stock option. One-fourth of these shares shall vest one year after the commencement of Mr. Wilke's employment with us, and the remaining shares will vest monthly over the following three years at a rate of 1/48 of the entire option each month, subject to Mr. Wilke's continued employment with us. The vesting of the shares subject to this option may be accelerated upon a change in control, pursuant to the terms and conditions of the Severance Plan (as defined below under *Executive Change in Control Severance Plan*). Further, pursuant to the terms of the offer letter, Mr. Wilke is entitled to a lump sum payment equal to six months of his base salary at the time of termination in the event that we terminate Mr. Wilke's employment for a reason other than cause, which is defined as including, but is not limited to, incidences of fraud or commission of a felony, failure to attend work on a regular basis, a material breach of our policies or failure to follow a specific written instruction from the President, CEO or the Board of Directors.

### *Former Senior Vice President and General Manager of Scalable Products*

Under an offer letter of employment, Mr. Gray was entitled to a lump sum payment equal to six months of his base salary at the time of termination in the event that we terminate Mr. Gray for a reason other than cause, which is defined as including, but is not limited to, incidences of fraud or commission of a felony, failure to attend work on a regular basis, a material breach of our policies or failure to follow a specific written instruction from the President, CEO or the Board of Directors. Mr. Gray resigned from employment with us effective February 15, 2008.

### *Executive Change in Control Severance Plan*

On February 8, 2006, the independent members of our Board, upon the recommendation of the Compensation Committee, approved the terms of an Executive Change in Control Severance Plan in order to ensure retention of key personnel and continuity of the business in the event of a change in control of the business. On August 7, 2008, the independent members of the Board, upon the recommendation of the Compensation Committee, approved an amendment and restatement of the Executive Change in Control Severance Plan (the *Severance Plan*).

### *Cash Compensation and Benefits*

Under the Severance Plan, severance compensation, health care and other benefits are provided to a Severance Plan participant if the participant is terminated without cause or resigns as a result of certain adverse circumstances described in the Severance Plan within 12 months after a change in control (a *Double Trigger Termination*). The amount of this severance compensation that would be provided to a participant is equal to that participant's then current salary and target bonus for the applicable severance benefit period. The Compensation Committee has established that the severance benefit period for participants will be 18 months in the case of the chief executive officer, 12 months in the case of officers who report directly to the chief executive officer and 6 months in the case of eligible vice presidents designated by the Compensation Committee. In addition, the severance benefit period establishes the period of time during which health care and other benefits are provided to a participant.

### *Equity Awards*

Edgar Filing: EXTREME NETWORKS INC - Form DEF 14A

The Severance Plan provides that equity awards granted prior to August 7, 2008 (the effective date of the amendment to the plan) with respect to individuals who were Participants as of that date and certain other equity

## Table of Contents

awards as determined by the Compensation Committee at the time of grant are treated as follows in the event of a change in our control:

if the participant's options and stock appreciation rights ( **SARs** ) are not assumed or otherwise continued by the acquirer, 100% accelerated vesting will occur;

if the participant is not terminated and the acquirer assumes the participant's outstanding options and SARs, the vesting of fifty percent (50%) of the participant's then unvested options and SARs would accelerate as of the date of the change in control and the remainder of the participant's unvested options and SARs would vest in equal monthly installments over a period equal to one half of the remainder of the participant's original vesting schedule.

if the participant is terminated and the participant's options and SARs are assumed or otherwise continued by the acquirer, 100% acceleration of vesting of all options and SARs will occur; and

the vesting of all other awards, including restricted stock and restricted stock units would accelerate in full upon a change in control.

However, the Severance Plan further provides that, unless otherwise determined by the Compensation Committee at the time of grant, equity awards granted after August 7, 2008 (the effective date of the amendment to the plan) to participants are treated as follows in the event of a change of our control:

if equity awards are not assumed or otherwise continued by the acquirer, accelerated vesting will occur only with respect to the number of months in the applicable participant's severance benefit period (as defined above);

if equity awards are assumed or otherwise continued by the acquirer, acceleration of vesting of these awards will occur only upon a Double Trigger Termination, and then will accelerate 100%; and

all equity awards are treated the same under the plan in the event of a Change of Control.

In the event that any payment or benefit received or to be received by a participant under the Severance Plan or otherwise (collectively, the **Payments** ) would subject the participant to any excise tax pursuant to Section 4999 of the Code due to the characterization of such Payments as an excess parachute payment under Section 280G of the Code, then, notwithstanding the other provisions of the Severance Plan, the amount of such Payments will not exceed the amount which produces the greatest after-tax benefit to the participant.

## *Definitions*

For purposes of the Severance Plan, the following definitions apply:

*Cause* means the occurrence of any of the following: (i) the participant's theft, dishonesty, misconduct, breach of fiduciary duty for personal profit, or falsification of any our documents or records; (ii) the participant's material failure to abide by our code of conduct or other policies (including, without limitation, policies relating to confidentiality and reasonable workplace conduct); (3) misconduct by



## Edgar Filing: EXTREME NETWORKS INC - Form DEF 14A

the participant within the scope of Section 304 of the Sarbanes-Oxley Act of 2002 as a result of which of we are required to prepare an accounting restatement; (4) the participant's unauthorized use, misappropriation, destruction or diversion of any tangible or intangible asset or corporate opportunity of ours (including, without limitation, the participant's improper use or disclosure of our confidential or proprietary information); (5) any intentional act by the participant which has a material detrimental effect on our reputation or business; (6) the participant's repeated failure or inability to perform any reasonable assigned duties after written notice from us of, and a reasonable opportunity to cure, such failure or inability; (7) any material breach by the participant of any employment, non-disclosure, non-competition, non-solicitation or other similar agreement between the participant and us, which breach is not cured pursuant to the terms of such agreement; or (8) the participant's conviction (including any plea of guilty or nolo contendere) of any criminal act involving fraud, dishonesty, misappropriation or moral turpitude, or which impairs the participant's ability to perform his or her duties with us.

## **Table of Contents**

*Change in our Control* means the occurrence of any of the following:

any person (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the **Exchange Act**)), other than a trustee or other fiduciary holding our securities under an employee benefit plan, becomes the beneficial owner (as defined in Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of our securities representing more than fifty percent (50%) of the total combined voting power of our then-outstanding securities entitled to vote generally in the election of directors;

we are party to a merger or consolidation which results in the holders of our voting securities outstanding immediately prior thereto failing to retain immediately after such merger or consolidation direct or indirect beneficial ownership of more than fifty percent (50%) of the total combined voting power of the securities entitled to vote generally in the election of our directors or the surviving entity outstanding immediately after such merger or consolidation;

the sale or disposition of all or substantially all of our assets or consummation of any transaction having similar effect (other than a sale or disposition to one or more of our subsidiaries); or

a change in the composition of the Board within any twelve (12) month period as a result of which fewer than a majority of the directors are Incumbent Directors (defined as a director who either (i) is a member of the Board as of February 8, 2006, or (ii) is elected, or nominated for election, to the Board with the affirmative votes of at least a majority of the Incumbent Directors at the time of such election or nomination, but (iii) was not elected or nominated in connection with an actual or threatened proxy contest relating to the election of our directors.);

*provided; however*, that to the extent that any amount constituting nonqualified deferred compensation subject to Section 409A of the Internal Revenue Code of 1986, as amended (the **Code**), would become payable under the Severance Plan by reason of a Change in Control, such amount shall become payable only if the event constituting a Change in Control would also constitute a change in ownership or effective control of us, or a change in the ownership of a substantial portion of our assets, within the meaning of Section 409A of the Code.

## ***Indemnity Agreements***

We entered into indemnification agreements with certain of the executive officers and directors. These indemnification agreements require us to indemnify these individuals to the fullest extent permitted by law.

**Table of Contents****Grants of Plan-Based Awards**

The following table sets forth certain information with respect to stock and option awards and other plan-based awards, including non-equity incentive awards, granted during the fiscal year ended June 29, 2008 to our named executive officers. For a narrative description of the various plan-based awards set forth in the following table, see *Compensation Discussion and Analysis* elsewhere in this proxy statement.

**GRANTS OF PLAN-BASED AWARDS**

Name	Grant Date	Approval Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards <sup>(1)</sup>			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Underlying Options (#)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards <sup>(3)</sup>
			Threshold (\$)	Target (\$)	Maximum (\$) <sup>(2)</sup>				
<b>Mark A. Canepa</b>									
<i>Non-Equity Incentive Cash Payment</i>			0	346,133	692,265				
<i>Stock Award</i>									
<i>Option Award</i>	10/26/07	10/23/07					840,000	\$ 4.25	996,912
<b>Karen M. Rogge</b>									
<i>Non-Equity Incentive Cash Payment</i>			0	210,000	420,000				
<i>Stock Award</i>									
<i>Option Award</i>	8/3/07	7/31/07					450,000	\$ 3.74	480,510
<b>Alexander J. Gray</b>									
<i>Non-Equity Incentive Cash Payment</i>			0	160,000	320,000				
<i>Stock Award</i>									
<i>Option Award</i>	10/26/07	10/23/07					255,000	\$ 4.25	302,634
<b>Helmut Wilke</b>									
<i>Non-Equity Incentive Cash Payment</i>			0	250,000 <sup>(4)</sup>	325,000 <sup>(5)</sup>				
<i>Stock Award</i>									
<i>Option Award</i>	8/3/07	7/31/07					500,000	\$ 3.74	533,900

(1) Our annual cash incentives usually are (and, in fiscal year 2008, were) based upon threshold, target and maximum payout amounts set by the Board of Directors, upon the recommendation of the Compensation Committee, at the beginning of each fiscal year. See *2008 Bonus Plan* in the *Compensation Discussion and Analysis* section elsewhere in this proxy statement. The actual amounts paid to each named executive officer for fiscal year 2008 is set forth in the Summary Compensation Table elsewhere in this proxy statement under the heading *Non-Equity Incentive Plan Compensation*.

(2) Under the 2008 Bonus Plan, the maximum amount payable if results exceed objectives was 200% for the named executive officers.

(3) The grant date fair value is generally the amount we would expense in our financial statements over the award's service period in accordance with FAS 123R, but does not include a reduction for forfeitures.

(4) Includes \$75,000 target bonus under the 2008 Bonus Plan and \$175,000 target bonus under the 2008 SVP Sales Commission Plan.

(5) Includes maximum amount payable of \$150,000 under the 2008 Bonus Plan and \$175,000 target bonus under the 2008 SVP Sales Commission Plan. There was no maximum amount payable under the 2008 SVP Sales Commission Plan.

**Table of Contents****Outstanding Equity Awards at Fiscal Year-End**

The following table sets forth certain information with respect to the value of all unexercised options previously awarded to our named executive officers as of June 29, 2008.

**OUTSTANDING EQUITY AWARDS**

Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Option Awards			Stock Awards	
		Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)
<b>Mark A. Canepa</b>	371,875	478,125 <sup>(1)</sup>	3.65	8/30/2016	100,000 <sup>(2)</sup>	294,000
	70,000	770,000 <sup>(3)</sup>	4.25	10/26/2017		
<b>Karen M. Rogge</b>	131,250	318,750 <sup>(1)</sup>	3.74	8/3/2017		
<b>Alexander J. Gray</b>						
<b>Helmut Wilke</b>	145,833	354,167 <sup>(1)</sup>	3.74	8/3/2017		

- (1) Vest ratably over a four year period, with one-year cliff vesting upon the first anniversary of the executive's start date, and monthly thereafter, subject to the named executive officer's continued employment. Our stock options generally expire ten years from the date of grant.
- (2) 50,000 shares vested on August 15, 2008. 12,500 shares vest every six months beginning on February 15, 2009 and ending on August 15, 2010, subject to the named executive officer's continued employment.
- (3) 420,000 shares subject to the options vest ratably on a monthly basis over a four year period, subject to the named executive officer's continued employment. The remaining 420,000 shares subject to the options vest over five years as follows: none of the shares vest in the first or second year following the date of grant and the remaining shares vest annually at a rate of 1/3<sup>rd</sup> of the entire option per year over the remaining three year vesting period subject to the named executive officer's continued employment. Our stock options generally expire ten years from the date of grant.

**Option Exercises and Stock Vested During Last Fiscal Year**

The following table sets forth certain information concerning option exercises by our named executive officers and vesting of our common stock held by them during the fiscal year ended June 29, 2008.

**OPTION EXERCISES AND STOCK VESTED**

Name	Option Awards	Stock Awards
------	---------------	--------------

Edgar Filing: EXTREME NETWORKS INC - Form DEF 14A

	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$) <sup>(1)</sup>
<b>Mark A. Canepa</b>				
<b>Karen M. Rogge</b>				
<b>Alexander J. Gray</b>			25,000	\$ 89,750
<b>Helmut Wilke</b>				

(1) Represents the amount realized based on the market price of our common stock on the vesting date.

**Table of Contents****Pension Benefits and Nonqualified Deferred Compensation Plans**

We do not have any plans with any of the named executive officers that provide for payments or other benefits at, following, or in connection with retirement. We also do not have any defined contribution or other plan with any of the named executive officers that provides for the deferral of compensation on a basis that is not tax qualified.

**Potential Payments upon Termination or Change in Control**

We have entered into the following agreements that may require us to provide compensation to the named executive officers in the event of a termination of employment or a change in control of Extreme Networks:

Offer letters of employment with each of Messrs. Canepa, Rogge, Wilke and Gray. Due to Mr. Gray's resignation, the provisions in his offer letter are no longer effective.

The Severance Plan (as defined above).

These agreements, including the circumstances that would trigger payments or the provision of other benefits thereunder, and any material conditions and obligations applicable to the recipient of payments and benefits thereunder, are described in *Summary of Employment and Other Agreements* elsewhere in this *Executive Compensation* section of this Proxy statement.

The following table describes the potential payments upon involuntary termination, whether or not within one year following a change in our control, for each of the named executive officers, under the certain assumptions set forth in the footnotes to the table. Note that except as expressly noted, these assumptions are not actually in effect.

**POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL**

Name and Category of Payment	Potential Payments upon Termination Other Than for Cause (\$) <sup>(1)</sup>	Potential Payments Following Change in Control without Termination Other Than for Cause (\$) <sup>(2)</sup>	Potential Payments upon Termination Other Than for Cause Following Change in Control (\$) <sup>(3)</sup>
<b>Mark A. Canepa</b>			
<i>Salary</i> <sup>(4)</sup>	\$ 499,300 <sup>(5)</sup>	\$	\$ 748,950 <sup>(6)</sup>
<i>Bonus</i>	\$ 349,510 <sup>(7)</sup>	\$	\$ 524,265 <sup>(8)</sup>
<i>Equity award vesting acceleration</i> <sup>(9)</sup>	\$ 183,750 <sup>(10)</sup>	\$ 294,000 <sup>(11)</sup>	\$ 294,000 <sup>(12)</sup>
<i>Health and welfare benefits</i>	\$ 10,265 <sup>(13)</sup>	\$	\$ 15,397 <sup>(14)</sup>

Edgar Filing: EXTREME NETWORKS INC - Form DEF 14A

<i>Total</i>	\$ 1,042,825	\$ 294,000	\$ 1,582,612
<b>Karen M. Rogge</b>			
<i>Salary</i> <sup>(4)</sup>	\$ 175,000 <sup>(15)</sup>	\$	\$ 350,000 <sup>(6)</sup>
<i>Bonus</i>	\$	\$	\$ 210,000 <sup>(8)</sup>
<i>Equity award vesting acceleration</i> <sup>(9)</sup>	\$	\$	\$
<i>Health and welfare benefits</i>	\$	\$	\$ 7,663 <sup>(14)</sup>
<i>Total</i>	\$ 175,000	\$	\$ 567,663
<b>Alexander J. Gray</b> <sup>(16)</sup>			
<b>Helmut Wilke</b>			
<i>Salary</i> <sup>(4)</sup>	\$ 137,500 <sup>(17)</sup>	\$	\$ 275,000 <sup>(6)</sup>
<i>Bonus</i>	\$	\$	\$ 250,000 <sup>(8)</sup>
<i>Equity award vesting acceleration</i> <sup>(9)</sup>	\$	\$	\$
<i>Health and welfare benefits</i>	\$	\$	\$ 7,663 <sup>(14)</sup>
<i>Total</i>	\$ 137,500	\$	\$ 532,663
<b>Total (All Named Executive Officers)</b>	<b>\$ 1,355,325</b>	<b>\$ 294,000</b>	<b>\$ 2,682,938</b>

---

**Table of Contents**

- (1) Assumes termination without cause as of June 27, 2008 (the last business day of our last fiscal year), not within one year after a change in control; except that with respect to Mr. Gray, assumes resignation from employment with us as of February 15, 2008. For purposes hereof, *cause* is defined as described, as applicable to each officer, in *Summary of Employment and Other Agreements* elsewhere in this *Executive Compensation* section of this proxy statement. As a condition to receiving any benefits under this column, the applicable named executive officer is required to execute a general release of known and unknown claims in a form satisfactory to us.
- (2) Assumes a hypothetical change in control as of June 27, 2008 (the last business day of our last fiscal year), with no termination without cause within one year after the change in control; except that with respect to Mr. Gray, assumes no benefits payable due to his resignation from employment with us before June 27, 2008. Also assumes that the company acquiring us in the hypothetical change in control did *not* assume or substitute equivalent replacements for the outstanding options and SARs of the participants in the Severance Plan, and that, accordingly under the Severance Plan, the vesting and exercisability under all options, SARS and all other awards, including restricted stock and restricted stock units, held by the participants in the Severance Plan accelerated in full as of the hypothetical change in control as of June 27, 2008. However, pursuant to the Severance Plan, if, in the event of a change in our control, the participant in the Severance Plan is not terminated and the acquirer assumes the participant's outstanding options and SARS (which situation is *not* assumed for purposes of this table), (i) the vesting of only fifty percent (50%) of the participant's then unvested options and SARS shall be accelerated as of the date of the change in control and the remainder of the participant's unvested options and SARS shall vest in equal monthly installments over a period equal to one half of the remainder of the participant's original vesting schedule, and (ii) the vesting of all other awards, including restricted stock and restricted stock units would accelerate in full upon the change in control.
- (3) Assumes termination without cause as of June 27, 2008 (the last business day of our last fiscal year), within one year after a change in control; except that with respect to Mr. Gray, assumes no benefits payable due to his resignation from employment with us before June 27, 2008.
- (4) The amounts listed in these rows do not include the payment of accrued salary that would be due upon termination of employment, are not adjusted for any applicable tax withholding, and do not include portions of bonuses that may be payable on a pro-rated basis based on the amount earned as of the time of the termination of employment.
- (5) Under his offer letter of employment with us, in the absence of a change in our control, in the event that Mr. Canepa's employment is terminated without cause or suffers a material adverse change in his position or duties, subject to his execution of a release of claims against us, Mr. Canepa will be entitled to, among other things, 12 months of his base salary then in effect.
- (6) Under the Severance Plan, if a participant in the Severance Plan is terminated without cause or resigns as a result of certain adverse circumstances described in the Severance Plan within 12 months after a change in control, among other things, the participant would be entitled to a lump sum payment in an amount equal to the aggregate amount of his monthly salary for a period of 18 months in the case of the chief executive officer and 12 months in the cases of the other named executive officers. As described herein, the Severance Plan was amended on August 8, 2008; the amendment materially affects only Mark Canepa, whose severance benefit period will be extended from 12 months to 18 months.
- (7) Under his offer letter of employment with us, in the absence of a change in our control, in the event that Mr. Canepa's employment is terminated without cause or suffers a material adverse change in his position or duties, subject to his execution of a release of claims against us, Mr. Canepa will be entitled to, among other things, a pro rata portion of his annual bonus for that fiscal year. Mr. Canepa's target bonus percentage for fiscal year 2008 was 70% of his annual salary then in effect.
- (8) Under the Severance Plan, if a participant in the Severance Plan is terminated without cause or resigns as a result of certain adverse circumstances described in the Severance Plan within 12 months after a change in control, among other things, the participant would be entitled to a lump sum bonus payment for a period of 18 months in the case of the chief executive officer and 12 months in the cases of the other named executive officers with the applicable annual bonus amount to be based upon the aggregate of all annual



**Table of Contents**

- incentive bonuses that would have been earned by the participant for the fiscal year of termination of employment, determined as if 100% of all applicable performance goals were achieved.
- (9) Assumes a price per share of our common stock equal to \$2.94, the closing market price on June 27, 2008 (the last business day of our last fiscal year). In the case of stock options, represents the aggregate spread (i.e. the difference between the exercise price and the closing price of our common stock on June 27, 2008) with respect to all options that would be accelerated (or were actually accelerated, if applicable); in the case of shares of common stock or restricted stock units, represents the aggregate value of all shares that would be accelerated (or were actually accelerated, if applicable).
  - (10) Under his offer letter of employment with us, in the absence of a change in our control, in the event that Mr. Canepa's employment is terminated without cause or suffers a material adverse change in his position or duties, subject to his execution of a release of claims against us, Mr. Canepa will be entitled to, among other things, acceleration of 12 months of vesting of the shares subject to the Canepa Option and the Canepa RSU.
  - (11) Under the Severance Plan, the Canepa RSU accelerated in full as of the hypothetical change in control as of June 27, 2008.
  - (12) Under the Severance Plan, if a participant in the Severance Plan is terminated without cause or resigns as a result of certain adverse circumstances described in the Severance Plan within 12 months after a change in control, among other things, the vesting and exercisability of options, SARs and all other awards, including restricted stock and restricted stock units, held by the participant would accelerate in full.
  - (13) Under his offer letter of employment with us, in the absence of a change in our control, in the event that Mr. Canepa's employment is terminated without cause or suffers a material adverse change in his position or duties, subject to his execution of a release of claims against us, Mr. Canepa will be entitled to, among other things, reimbursement of 12 months of COBRA premiums. Assumes our payment of all premiums necessary to cover Mr. Canepa from June 27, 2008 until June 30, 2009, assuming that Mr. Canepa was covered under our group health plan as of June 27, 2008, and assuming Mr. Canepa's timely election to continue such benefits until June 30, 2009, calculated assuming that premiums remain at the amounts in effect as of June 27, 2008.
  - (14) Under the Severance Plan, if a participant in the Severance Plan is terminated without cause or resigns as a result of certain adverse circumstances described in the Severance Plan within 12 months after a change in control, among other things, the participant is entitled to reimbursement of 18 months of COBRA premiums in the case of the chief executive officer and 12 months of COBRA premiums in the cases of the other named executive officers. Assumes our payment of all premiums necessary to cover the applicable officer from June 27, 2008 until the 18 or 12 month anniversary thereof, as applicable, assuming that the applicable officer was covered under our group health plan as of June 27, 2008, and assuming the applicable officer's timely election to continue these benefits until the 18 or 12 month anniversary thereof, as applicable, calculated assuming that premiums remain at the amounts in effect as of June 27, 2008.
  - (15) Under her offer letter of employment with us, in the absence of a change in our control, in the event that Ms. Rogge's employment is terminated without cause, Ms. Rogge will be entitled to six months of her base salary then in effect.
  - (16) Mr. Gray resigned from employment with us effective February 15, 2008, and he received no payments in connection with his resignation from employment with us.
  - (17) Under his offer letter of employment, in the absence of a change in our control, in the event that Mr. Wilke's employment is terminated without cause, Mr. Wilke will be entitled to six months of his base salary then in effect.

**Compensation Committee Interlocks and Insider Participation**

See *Compensation Committee Interlocks and Insider Participation* under *Corporate Governance* elsewhere in this Proxy statement, which is hereby incorporated by reference into this *Executive Compensation* section of this Proxy statement.

**Table of Contents**

**CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

**Actual or Potential Conflicts of Interest**

Except as otherwise disclosed above or in the section entitled *Executive Compensation and Other Matters* section of this proxy statement, during the fiscal year ended June 29, 2008, there was not, nor is there currently proposed, any transaction or series of similar transactions to which we are or will be a party in which the amount involved exceeds \$120,000, and in which any executive officer, director or holder of more than 5% of any class of voting securities of us and members of that person's immediate family had or will have a direct or indirect material interest. In September 2008, we purchased 28,571,428 of our shares at a price of \$3.50 per share through a modified reverse Dutch auction tender offer. All of our stockholders were eligible to participate in this tender offer, although none of our executive officers or directors chose to tender any of their shares.

**Reporting, Review and Approval of Related Party Transactions**

Pursuant to the charter of the Audit Committee, the Audit Committee has the responsibility and duty to approve all related-party transactions after reviewing each transaction for potential conflicts of interests and other improprieties. Pursuant to our Code of Business Conduct and Ethics:

Each employee, including each executive officer, is prohibited from engaging in activities that compete with us or compromise our interests unless first notifying our General Counsel or our Vice President, Human Resources, and obtaining a waiver in writing in each instance. Each employee is required to inform his or her manager or our legal department of any conflict of interest, and is encouraged to consult with his or her manager or our legal department if the employee becomes aware of any conflict or potential conflict, or has a question as to a potential conflict.

Each member of our Board of Directors is prohibited from participating in any activities that are contrary to our interests, or which interfere with the director's ability to perform his or her duties objectively and effectively, or which interfere with the director's duty of loyalty to us and our stockholders. Each member of the Board is required to disclose to the Board any potential conflict of interest regarding or personal interest in any transaction the Board is considering. As to any potential conflict, the independent directors will consult, as appropriate, with management and counsel in assessing the potential conflict, and the appropriate action or procedure for addressing or avoiding the potential conflict. A director will recuse him or herself from participation in any deliberation or decision regarding a matter or transaction in which there is a conflict of interest between our interests and the director's personal interests or the interests of any other entity to which the director provides services. In the event a director becomes aware of any potential corporate opportunity that the director believes would have any direct or indirect value to us, the director is required to advise the Chief Executive Officer or the Board of Directors of the opportunity. In addition, each director will notify the Board of Directors of any outside board seats, public or private, on which the director has agreed to serve. Related party transactions in which a director may be involved are subject to the review of the Audit Committee.

The Code of Business Conduct and Ethics provides the following non-exhaustive list of examples of actual or potential conflicts with respect to the persons subject to the Code of Business Conduct and Ethics (a *Subject Person*):

receipt, by a Subject Person or a member of his or her family, of improper personal benefits as a result of the Subject Person's position with us;

Edgar Filing: EXTREME NETWORKS INC - Form DEF 14A

use by the Subject Person of our property for his or her personal benefit;

engagement by the Subject Person in activities that interfere with the Subject Person's loyalty to us or his or her ability to perform duties or responsibilities effectively;

work by a Subject Person simultaneously (whether as an employee or a consultant) for a competitor, customer or supplier;

**Table of Contents**

a Subject Person, or a member of his or her family, having a financial interest in a customer, supplier or competitor which is significant enough to cause divided loyalty with us, or the appearance of divided loyalty (with the significance of a financial interest depending on many factors, such as size of investment in relation to the Subject Person's income, net worth and/or financial needs, the Subject Person's potential to influence decisions that could impact the Subject Person's interests, and the nature of the business or level of competition between us and the supplier, customer or competitor);

acquisition, by a Subject Person or a member of his or her family, of an interest in property (such as real estate, patent or other intellectual property rights or securities) in which the Subject Person has reason to know we have, or might have, a legitimate interest;

receipt, by a Subject Person or a member of his or her family, of a loan or a guarantee of a loan from a customer, supplier or competitor (other than a loan from a financial institution made in the ordinary course of business and on an arm's-length basis);

a Subject Person's divulging or using our confidential information—such as financial data, customer information, or computer programs—for the Subject Person's own personal or business purposes that are not first approved by our VP General Counsel or VP Human Resources in writing;

a Subject Person's making gifts or payments, or providing special favors, to customers, suppliers or competitors (or their immediate family members) with a value significant enough to cause the customer, supplier or competitor to make a purchase, or take or forego other action, which is beneficial to us and which the customer, supplier or competitor would not otherwise have taken;

a Subject Person's being given the right to buy stock in other companies or receipt of cash or other payments in return for promoting the services of an advisor, such as an investment banker, to us;

a Subject Person's, or his or her family member's, solicitation or acceptance of valuable gifts, payments, special favors or other consideration from customers, suppliers or competitors; and

a Subject Person's giving or receipt of gifts not in compliance with the Foreign Corrupt Practices Act.

**Indebtedness of Management**

No director, executive officer, member of such person's immediate family, corporation or organization of which such person is an executive officer or partner or is the beneficial owner of 10% or more of any class of equity securities, or trust or other estate in which any such person has a substantial beneficial interest or serves as a trustee, has been indebted to us or any of its subsidiaries at any time during fiscal year 2007 in an amount in excess of \$60,000, other than as may be described in this *Certain Relationships and Related Transactions* section of this Proxy statement.

**Table of Contents****EQUITY COMPENSATION PLAN INFORMATION**

We currently maintain two compensation plans that provide for the issuance of our common stock to officers and other employees, directors and consultants. These consist of the 2005 Plan and Purchase Plan, which have been approved by our stockholders. The Purchase Plan was adopted by our Board of Directors in January 1999, and was approved by our stockholders in February 1999. The 2005 Plan was adopted by our Board of Directors on October 20, 2005, and was approved by our stockholders on December 2, 2005. The 2005 Plan replaces the 1996 Plan, the 2000 Plan and the 2001 Plan. The 2005 Plan expressly provides that, without the approval of a majority of the votes cast in person or by proxy at a meeting of our stockholders, the administrator of the 2005 Plan (the Compensation Committee or other committee or subcommittee of the Board of Directors or, in the absence of a committee, the Board of Directors) may not provide for either the cancellation of outstanding options or stock appreciation rights in exchange for the grant of new options or stock appreciation rights at a lower exercise price or the amendment of outstanding options or stock appreciation rights to reduce the exercise price.

The following table summarizes our equity compensation plans as of June 29, 2008:

<b>Plan Category</b>	<b>Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights</b>	<b>Weighted Average Exercise Price of Outstanding Options Warrants and Rights</b>	<b>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans<sup>(1)</sup></b>
Equity compensation plans approved by security holders	18,269,431 <sup>(2)</sup>	\$ 4.7976	16,720,825 <sup>(3)</sup>
Equity compensation plans not approved by security holders	1,022,770 <sup>(4)</sup>	\$ 7.97	0
<b>Totals</b>	<b>19,292,201</b>	<b>\$ 4.9659</b>	<b>16,720,825</b>

- (1) Effective as of December 2, 2005, the 1996 Plan, the 2000 Plan and the 2001 Plan were terminated and up to 11,000,000 shares subject to awards that remained outstanding under the 1996 Plan, the 2000 Plan the 2001 Plan as of December 2, 2005 and which subsequently terminate without having been exercised or which are forfeited to us were added to the shares available under the 2005 Plan.
- (2) Of this amount, options for 10,680,442 and 333,833 shares of restricted stock were outstanding under the 2005 Plan, and options for 7,255,156 were outstanding under the 1996 Plan.
- (3) Of this amount 5,103,251 shares were available for issuance under the Purchase Plan and 11,617,574 shares were available for issuance under the 2005 Plan.
- (4) Of this amount, options for 424,583 shares were outstanding under the 2000 Plan and options for 598,187 were issued under the 2001 Plan. Excludes 11,226 outstanding options with an average exercise price of \$0.9820 that were assumed in connection with acquisitions. No additional options are available for future issuance under the acquired plans.

**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our executive officers, directors and persons who beneficially own more than 10% of our common stock to file initial reports of beneficial ownership and reports of changes in beneficial ownership with the SEC. These persons are required by SEC regulations to furnish us with copies of all Section 16(a) forms filed by such person. Based solely on our review of the forms furnished to us and written representations from certain reporting persons, we believe that all filing requirements applicable to our executive officers, directors and persons who beneficially own more than 10% of our common stock were complied with in the fiscal year ended June 29, 2008.



**Table of Contents**

**REPORT OF THE COMPENSATION COMMITTEE**

The Compensation Committee of the Board of Directors has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of the Securities and Exchange Commission's Regulation S-K with management. Based on such review and discussions, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in our Annual Report on Form 10-K for the fiscal year ended June 29, 2008 and this Proxy statement. The material in this report shall not be deemed to be soliciting material or filed with the Securities and Exchange Commission, will be deemed furnished in our Annual Report on Form 10-K for the fiscal year ended June 29, 2008, and will not 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, as a result of furnishing the disclosure in this manner.

COMPENSATION COMMITTEE

Charles Carinalli, Chairman

Bob L. Corey

John C. Shoemaker

**Table of Contents**

**REPORT OF THE AUDIT COMMITTEE**

The Audit Committee oversees the quality of our financial statements and our financial reporting on behalf of the Board of Directors. Management has the primary responsibility for the financial statements, maintaining appropriate accounting and financial reporting principles and policies and the reporting process, including internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. Ernst & Young LLP, our independent registered public accounting firm, is responsible for expressing opinions on our annual financial statements and our internal control over financial reporting as of the end of the fiscal year. It is not the duty or responsibility of the Audit Committee or its members to conduct any type of auditing or accounting review or procedure, and each member of the Audit Committee relies on the integrity of those persons and organizations within and outside the Company from whom it receives information and the accuracy of the financial and other information provided to the Audit Committee.

The members of the Audit Committee during the fiscal year ended June 29, 2008 were Messrs. Charles Carinalli, Bob L. Corey, Harry Silverglide and John C. Shoemaker. At all times the Audit Committee has consisted of at least three directors each of whom, in the judgment of the Board, is an independent director as defined in the listing standards for The NASDAQ Stock Market. The Board has determined that Mr. Corey is the audit committee financial expert as such term is defined in the rules of the SEC.

The Audit Committee has discussed and reviewed with the independent auditors all matters required to be discussed under Statement on Auditing Standards No. 61, *Communication with Audit Committees*, SEC rules and other professional standards. The Audit Committee has received from the independent auditors a formal written statement describing all relationships between the auditors and the Company that might bear on the auditors' independence consistent with Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees*, discussed with the independent auditors any relationships that may impact their objectivity and independence, and satisfied itself as to the independent auditors' independence.

The Audit Committee discussed with our independent auditors the overall scope and plans for their respective audits. The Audit Committee meets with the independent auditors, with and without management present, to discuss the results of their audit of our financial statements and our internal control over financial reporting as of the end of the fiscal year, our internal audits and the overall quality of our financial reporting. Additionally, the Audit Committee has discussed and reviewed with management the audited financial statements and management's report on internal control over financial reporting as of the end of the fiscal year.

Based on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Annual Report on Form 10-K for the year ended June 29, 2008 for filing with the SEC. The Audit Committee and the Board of Directors have also recommended ratification of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending June 28, 2009.

The aggregate fees billed for professional services rendered for the audit of our annual financial statements and our internal control over financial reporting as of the end of the fiscal year by Ernst & Young LLP for fiscal year 2008 and for their review of the unaudited interim financial statements included in our Quarterly Reports on Forms 10-Q for fiscal year 2008, including accounting consultations on matters addressed during the annual audit and interim reviews were \$2,016,000. The aggregate fees billed for professional services rendered by Ernst & Young LLP, other than the audit and audit-related fees, were \$499,000. These fees were for professional services including domestic and foreign tax-planning, consultation, special projects and tax return preparation, and procedures related to the filing of corporate documents.

AUDIT COMMITTEE



Bob. L. Corey, Chairman

Charles Carinalli

John C. Shoemaker

Harry Silverglide

*The foregoing Audit Committee Report shall not be deemed to be incorporated by reference into any filing of the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporates such information by reference.*

**Table of Contents**

**STOCKHOLDER PROPOSALS TO BE PRESENTED AT NEXT ANNUAL MEETING**

Stockholder proposals may be brought before an annual meeting so long as they are provided to us on a timely basis and satisfy the other conditions set forth in the rules of the SEC. Under our bylaws, in order for a stockholder proposal to be properly brought before any annual meeting, the proposal must be timely and received at our principal executive offices, addressed to the Secretary, not later than June 30, 2009, or 120 days prior to the one-year anniversary of this year's mailing date for the Proxy Statement. Stockholder business that is not intended for inclusion in our proxy materials may be brought before the annual meeting so long as we receive notice of the proposal as specified by our Bylaws, addressed to the Secretary at our principal executive offices, not later than June 30, 2009. If no annual meeting was held in the previous year, the date of the annual meeting has been advanced by more than 30 calendar days from the date contemplated at the time of the previous year's proxy statement or the proposal is for a special meeting, stockholder proposals may be brought not later than the close of business on the tenth day following the day on which notice of the date of the meeting was mailed or public disclosure of the meeting date was made.

If a stockholder proposal is brought before the 2009 annual meeting of stockholders, our management proxy holders will be authorized by our proxy form to vote for or against the proposal, in their discretion, if we provide information in our 2009 proxy statement (a) regarding the nature of the matter and (b) advising stockholders how management intends to exercise its discretion to vote on the matter.

**TRANSACTION OF OTHER BUSINESS**

At the date of this Proxy Statement, the Board of Directors knows of no other business that will be conducted at the 2008 Annual Meeting, other than as described in this Proxy Statement. If any other matter or matters are properly brought before the meeting, or any adjournment or postponement of the meeting, it is the intention of the person named in the accompanying form of proxy to vote the proxy on such matters in accordance with their best judgment.

**Table of Contents**

**COMMUNICATING WITH EXTREME NETWORKS**

You can obtain information about us by one of the following methods:

1. Our home page on the Internet, located at [www.extremenetworks.com](http://www.extremenetworks.com), gives you access to product and marketing information, in addition to recent press releases, financial information and stock quotes, as well as links to our filings with the SEC. Online versions of this Proxy Statement, our 2008 Annual Report on Form 10-K, and our letter to stockholders are located at <http://www.extremenetworks.com/aboutus/investor/default.asp>.

2. To have information such as our latest quarterly earnings release, Annual Report on Form 10-K, or Quarterly Report on Form 10-Q mailed to you, please contact our Investor Relations at (408) 579-3030.

For all other matters, please contact our Investor Relations at (408) 579-3030, or send your correspondence to the following address:

Extreme Networks, Inc.

3585 Monroe Street

Santa Clara, CA 95051

Attn: Investor Relations

We encourage you to conserve natural resources, as well as reduce printing and mailing costs, by signing up for electronic delivery of stockholder communications at <http://www.extremenetworks.com/aboutus/investor/Default.asp>. For more information, see *Electronic Delivery of Stockholder Communications*.

BY ORDER OF THE BOARD OF DIRECTORS

**Mark A. Canepa**

**President and Chief Executive Officer**

October 29, 2008

**Table of Contents**

**Appendix A**

**EXTREME NETWORKS, INC.**

**Charter for the Compensation Committee  
of the Board of Directors**

**I. PURPOSE**

This Charter specifies the scope of the responsibilities of the Compensation Committee (the **Committee**) of the Board of Directors (the **Board**) of Extreme Networks, Inc. (the **Company**) and the manner in which those responsibilities shall be performed, including its structure, processes and membership requirements.

The primary purpose of the Committee is to discharge the Board's responsibilities relating to compensation and benefits of the Company's directors and officers, including responsibility for evaluating and reporting to the Board on matters concerning management performance, director and officer compensation and benefits plans and programs. In carrying out these responsibilities, the Committee shall review all components of executive officer and director compensation for consistency with the Company's compensation philosophy.

**II. ORGANIZATION AND MEMBERSHIP REQUIREMENTS**

The Committee shall be comprised of at least three directors selected by the Board, each of whom shall satisfy the independence requirements of NASDAQ. No director shall serve as a member of the Committee if the director has been part of an interlocking directorate in which the Chief Executive Officer or another executive officer of the Company serves on the compensation committee of another company that employs that director.

The members shall be appointed by the Board upon recommendation of the Nominating and Corporate Governance Committee and shall serve until their successors are duly elected and qualified or their earlier resignation or removal. The Board may replace any member of the Committee based on a recommendation of the Nominating and Corporate Governance Committee. The Committee may delegate duties or responsibilities to subcommittees or to one member of the Committee from time to time, as appropriate.

A majority of the members present shall represent a quorum of the Committee, and if a quorum is present, any action approved by at least a majority of the members present shall represent the valid action of the Committee. Any actions taken by the Committee during any period in which one or more members fail for any reason to meet the membership requirements set forth above shall be nonetheless duly authorized actions of the Committee for all corporate purposes.

**III. MEETINGS**

The Committee shall meet as often as it deems appropriate to review the compensation of the executive officers and other employees of the Company, and otherwise perform its duties under this charter, but not less frequently than once each year.

The Committee shall maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board. The Committee will also record its summaries of recommendations to the Board in written form, which will be incorporated as part of the minutes of the Board meeting at which those recommendations are presented.

#### **IV. COMMITTEE AUTHORITY AND RESPONSIBILITIES**

To fulfill its responsibilities and duties, the Committee shall:

1. Oversee establishment and administration of the Company's benefit, incentive-based and equity-based compensation programs.
2. Review and approve annual performance objectives and goals relevant to the Chief Executive Officer and other executive and key officers, and evaluate the performance of the Chief Executive Officer in light of these goals and objectives.

**Table of Contents**

3. Review and approve the annual base salary and any incentive-based or equity-based compensation of the Chief Executive Officer. The salary and compensation shall be based on the Committee's annual evaluation of the performance of the Chief Executive Officer in relation to the established goals and objectives, and shall be determined in consideration of the Company's performance and relative stockholder return, the value of similar incentive awards to Chief Executive Officers at comparable companies, and the awards given to the Company's Chief Executive Officer in past years. The Chief Executive Officer may not be present during such voting or deliberations.
4. Review and approve the annual base salary and any incentive-based or equity-based compensation of all of the Company's other executive officers.
5. Review and approve all employment, severance, or change-in-control agreements, special or supplemental benefits, or provisions including the same, applicable to executive officers or directors.
6. Periodically review and advise the Board concerning both regional and industry-wide compensation practices and trends in order to assess the adequacy and competitiveness of the Company's executive compensation programs among comparable companies in the Company's industry.
7. Have the authority to obtain assistance from benefits consultants, legal counsel, accounting or other advisors as needed to provide independent advice with respect to current or proposed executive compensation and employee benefit programs, and to determine the retention terms of and fees paid to such consultant or advisor. The fees and costs of such consultant or advisor shall be borne by the Company.
8. Perform such other functions and have such other powers as may be necessary or convenient to the efficient discharge of the foregoing, including the formation and delegation of authority to subcommittees when appropriate.
9. Report to the Board of Directors regarding the foregoing, and record summaries of its recommendations to the Board in written form that will be incorporated as a part of the minutes of the Board of Directors. The Committee shall issue at least one report to the Board annually.
10. Produce an annual report on executive compensation for inclusion in the Company's proxy statement, in accordance with applicable rules and regulations.
11. Review and reassess the adequacy of this Charter as appropriate and recommend any proposed changes to the Board for approval. The Committee shall annually review its own performance.

**Table of Contents**

**EXTREME NETWORKS, INC.**

**Proxy for the Annual Meeting of Stockholders**

**To be held on Thursday, December 4, 2008**

**Solicited by the Board of Directors**

The undersigned hereby appoints Mark A. Canepa and Robert S. Schlossman, and each of them, with full power of substitution, to represent the undersigned and to vote all of the shares of stock in Extreme Networks, Inc., a Delaware corporation, which the undersigned is entitled to vote at the Annual Meeting of Stockholders of Extreme Networks, Inc. to be held at the Executive Briefing Center, Extreme Networks, Inc., 3585 Monroe Street, Santa Clara, California 95051, on Thursday, December 4, 2008 at 2:00 p.m. local time, and at any adjournment or postponement thereof (i) as hereinafter specified upon the proposals listed on the reverse side and as more particularly described in the Extreme Networks Proxy Statement dated October 29, 2008 (the **Proxy Statement**), receipt of which is hereby acknowledged, and (ii) in their discretion upon such other matters as may properly come before the meeting.

**THE SHARES REPRESENTED HEREBY SHALL BE VOTED AS SPECIFIED. IF NO SPECIFICATION IS MADE, SUCH SHARES SHALL BE VOTED FOR PROPOSALS 1 AND 2 SET FORTH IN THE PROXY STATEMENT.**

**CONTINUED AND TO BE SIGNED ON REVERSE SIDE**

SEE REVERSE

SIDE

**Table of Contents**

**X** Please mark  
votes as in

this example  
**VOTE BY INTERNET - [www.proxyvote.com](http://www.proxyvote.com)**

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

**ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS**

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

**VOTE BY PHONE - 1-800-690-6903**

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

**VOTE BY MAIL**

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

**WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING IN PERSON, YOU ARE URGED TO SIGN AND PROMPTLY MAIL THIS PROXY IN THE RETURN ENVELOPE SO THAT YOUR STOCK MAY BE REPRESENTED AT THE MEETING.**

A vote **FOR** the following proposals is recommended by the Board of Directors:

i. To elect the Class I directors to hold office for a three-year term and until their successors are elected and qualified or until their earlier resignation or removal:

Gordon L. Stitt,

Mark A. Canepa

Kenneth Levy

..                    FOR                    WITHHOLD ALL                    FOR ALL EXCEPT  
**(INSTRUCTION: To withhold authority to vote for the nominee, mark FOR ALL EXCEPT and write the nominee s name in the line below: \_\_\_\_\_.**

ii. To ratify the appointment of Ernst & Young LLP, independent registered public accounting firm, as Extreme Networks, Inc. s independent auditors for the fiscal year ending June 28, 2009.

..                    FOR                    AGAINST                    ABSTAIN  
iii. The transaction of such other business as may properly come before the meeting.



FOR ADDRESS CHANGES PLEASE CHECK THIS BOX AND WRITE THEM ON BACK WHERE INDICATED	..	PLEASE INDICATE IF YOU PLAN TO ATTEND THE MEETING	..	..
			YES	NO

**Please sign here.** If shares of stock are held jointly, both or all of such persons should sign. Corporate or partnership proxies should be signed in full corporate or partnership name by an authorized person. Persons signing in a fiduciary capacity should indicate their full titles in such capacity.

Signature [Please Sign Within Box] \_\_\_\_\_ Date: \_\_\_\_\_

Signature (Joint Owners): \_\_\_\_\_ Date: \_\_\_\_\_