EXTREME NETWORKS INC
Form 10-Q
May 07, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

Form 10-Q

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

For the quarterly period ended March 31, 2015

OR

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

For the transition period from to

Commission file number 000-25711

EXTREME NETWORKS, INC.
(Exact name of registrant as specified in its charter)

DELAWARE [State or other jurisdiction of incorporation or organization]	77-0430270 [I.R.S Employer Identification No.]
145 Rio Robles, San Jose, California [Address of principal executive office]	95134 [Zip Code]

Registrant’s telephone number, including area code: (408) 579-2800

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	o	Accelerated filer	x
Non-accelerated filer	o (Do not check if a smaller reporting company)	Smaller reporting company	o

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

The number of shares of the Registrant's Common Stock, $.001 par value, outstanding at April 29, 2015 was 100,053,435.

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EXTREME NETWORKS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)
(Unaudited)

	March 31, 2015	June 30, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$74,067	$73,190
Short-term investments	1,506	32,692
Accounts receivable, net of allowances of $4,344 at March 31, 2015 and $3,618 at June 30, 2014	78,727	124,664
Inventories	66,811	57,109
Deferred income taxes	797	1,058
Prepaid expenses and other current assets	10,069	14,143
Total current assets	231,977	302,856
Property and equipment, net	42,399	46,554
Intangible assets, net	61,096	87,459
Goodwill	70,877	70,877
Other assets	25,029	18,686
Total assets	$431,378	$526,432
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$9,750	$29,688
Accounts payable	46,378	37,308
Accrued compensation and benefits	20,502	26,677
Accrued warranty	7,879	7,551
Deferred revenue, net	73,206	74,735
Deferred distributors revenue, net of cost of sales to distributors	35,687	31,992
Other accrued liabilities	29,820	38,357
Total current liabilities	223,222	246,308
Deferred revenue, less current portion	23,141	22,942
Long-term debt, less current portion	58,750	91,875
Deferred income taxes	2,572	—
Other long-term liabilities	7,934	8,595
Commitments and contingencies (Note 8)		
Stockholders' equity:		
Convertible preferred stock, $.001 par value, issuable in series, 2,000,000 shares authorized; none issued	—	—
Common stock, $.001 par value, 750,000,000 shares authorized; 100,050,411 shares issued and outstanding at March 31, 2015 and 96,980,214 shares issued and outstanding at June 30, 2014	100	97
Additional paid-in-capital	861,653	845,267
Accumulated other comprehensive loss	(1,798)	(439)
Accumulated deficit	(744,196)	(688,213)
Total stockholders' equity	115,759	156,712
Total liabilities and stockholders' equity	$431,378	$526,432

See accompanying notes to condensed consolidated financial statements.

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EXTREME NETWORKS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
Net revenues:				
Product	$86,527	$109,891	$301,700	$290,001
Service	33,063	31,871	101,372	74,260
Total net revenues	119,590	141,762	403,072	364,261
Cost of revenues:				
Product	49,761	58,703	164,282	153,112
Service	12,105	12,204	35,377	26,742
Total cost of revenues	61,866	70,907	199,659	179,854
Gross profit:				
Product	36,766	51,188	137,418	136,889
Service	20,958	19,667	65,995	47,518
Total gross profit	57,724	70,855	203,413	184,407
Operating expenses:				
Research and development	23,858	24,265	71,205	53,098
Sales and marketing	39,226	44,703	127,976	108,033
General and administrative	9,711	11,178	31,091	29,301
Acquisition and integration costs	1,725	6,443	9,283	18,826
Restructuring charge, net of reversals	—	(6)	—	499
Amortization of intangibles	4,467	7,666	13,402	11,444
Total operating expenses	78,987	94,249	252,957	221,201
Operating loss	(21,263)	(23,394)	(49,544)	(36,794)
Interest income	129	156	471	603
Interest expense	(758)	(764)	(2,419)	(1,288)
Other expense, net	(535)	(146)	(1,033)	(1,338)
Loss before income taxes	(22,427)	(24,148)	(52,525)	(38,817)
Provision for income taxes	1,121	910	3,458	2,262
Net loss	$(23,548)	$(25,058)	$(55,983)	$(41,079)
Basic and diluted net loss per share:				
Net loss per share – basic	$(0.24)	$(0.26)	$(0.57)	$(0.43)
Net loss per share – diluted	$(0.24)	$(0.26)	$(0.57)	$(0.43)
Shares used in per share calculation – basic	99,783	96,069	98,591	95,116
Shares used in per share calculation – diluted	99,783	96,069	98,591	95,116

See accompanying notes to condensed consolidated financial statements.

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EXTREME NETWORKS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In thousands)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
Net loss:	$(23,548)	$(25,058)	$(55,983)	$(41,079)
Other comprehensive income, net of tax:				
Available for sale securities:				
Change in unrealized (losses) gains on available for sale securities, net of taxes	(1)	(95)	(26)	138
Reclassification of adjustment for realized net gains on available for sale securities included in net loss	—	10	—	158
Net change in unrealized (losses) gains on available for sale securities, net of taxes	(1)	(85)	(26)	296
Net change in foreign currency translation adjustments	87	48	(1,333)	1,005
Other comprehensive (loss) income	86	(37)	(1,359)	1,301
Total comprehensive loss	$(23,462)	$(25,095)	$(57,342)	$(39,778)

See accompanying notes to condensed consolidated financial statements.

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EXTREME NETWORKS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended	
	March 31, 2015	March 31, 2014
Cash flows from operating activities:		
Net loss	$(55,983)	$(41,079)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	9,652	7,767
Amortization of intangible assets	26,977	18,937
Provision for doubtful accounts and allowance for sales returns	4,317	898
Stock-based compensation	13,935	9,874
Other non-cash charges	628	2,267
Changes in operating assets and liabilities, net		
Accounts receivable	41,620	(24,171)
Inventories	(9,702)	(13,313)
Prepaid expenses and other assets	806	(1,354)
Accounts payable	9,070	(5,404)
Accrued compensation and benefits	(6,176)	(1,764)
Deferred revenue	(1,331)	10,796
Deferred distributor revenue, net of cost of sales to distributors	3,696	6,829
Other current and long term liabilities	(3,945)	(900)
Net cash provided by (used in) operating activities	33,564	(30,617)
Cash flows from investing activities:		
Capital expenditures	(5,610)	(17,384)
Acquisition, net of cash acquired	—	(180,000)
Purchases of investments	—	(9,045)
Purchases of non-marketable equity investments	(3,000)	—
Proceeds from maturities of investments and marketable securities	21,815	26,722
Proceeds from sales of investments and marketable securities	9,051	56,594
Purchases of intangible assets	(569)	—
Net cash provided by (used in) investing activities	21,687	(123,113)
Cash flows from financing activities:		
Borrowings under Revolving Facility	24,000	59,000
Issuance of Term Loan	—	65,000
Repayment of debt	(77,062)	(1,625)
Proceeds from issuance of common stock	2,455	6,296
Net cash (used in) provided by financing activities	(50,607)	128,671
Foreign currency effect on cash	(3,767)	611
Net increase (decrease) in cash and cash equivalents	877	(24,448)
Cash and cash equivalents at beginning of period	73,190	95,803
Cash and cash equivalents at end of period	$74,067	$71,355

See accompanying notes to the condensed consolidated financial statements.

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EXTREME NETWORKS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

The unaudited condensed consolidated financial statements of Extreme Networks, Inc. (referred to as the “Company” or “Extreme Networks”) included herein have been prepared under the rules and regulations of the Securities and Exchange Commission (“SEC”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted under such rules and regulations. The condensed consolidated balance sheet at June 30, 2014 was derived from audited financial statements as of that date but does not include all disclosures required by generally accepted accounting principles for complete financial statements. These interim financial statements and notes should be read in conjunction with the Company’s audited consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended June 30, 2014.

The unaudited condensed consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments that, in the opinion of management, are necessary for a fair presentation of the results of operations and cash flows for the interim periods presented and the financial condition of Extreme Networks at March 31, 2015. The results of operations for the three and nine months ended March 31, 2015 are not necessarily indicative of the results that may be expected for fiscal 2015 or any future periods.

2. Summary of Significant Accounting Policies

For a description of significant accounting policies, see Note 3, Summary of Significant Accounting Policies, to the consolidated financial statements included in the Company's Annual report on Form 10-K for the fiscal year ended June 30, 2014. There have been no material changes to the Company's significant accounting policies since the filing of the Annual report on Form 10-K.

3. Recently Issued Accounting Pronouncements

In May 2014, the FASB, jointly with the International Accounting Standards Board, issued Accounting Standard Update No. 2014-09 (Topic 606) - Revenue from Contracts with Customers ("ASU 2014-09"). This ASU's core principle is that a reporting entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In applying this new guidance to contracts within its scope, an entity will: (1) identify the contract(s) with a customer, (2) identify the performance obligation in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. Additionally, this new guidance will require significantly expanded disclosures about revenue recognition. ASU 2014-09 is effective for annual reporting periods (including interim reporting periods within those annual periods) beginning after December 15, 2016. In April 2015, the FASB approved a one-year deferral of the effective date of the new standard. The new standard will be effective for the Company’s fiscal 2019, with early adoption permitted.

Entities have the option of using either a full retrospective or a modified retrospective approach to adopt this ASU. The Company is currently evaluating the potential effect on its consolidated financial statements from adoption of this standard.

In November 2014, the FASB has issued ASU 2014-15, Disclosure of Uncertainties About an Entity’s Ability to Continue as a Going Concern, which provides guidance on determining when and how to disclose going-concern uncertainties in the financial statements. The new standard requires management to perform interim and annual assessments of an entity’s ability to continue as a going concern within one year of the date of issuance of the entity’s financial statements and provide certain disclosures when there is substantial doubt about the entity’s ability to continue as a going concern. This guidance applies to all entities and is effective for annual periods beginning after December 15, 2015, and interim periods thereafter, with early adoption permitted. The Company is currently evaluating the potential effect on its consolidated financial statements from adoption of this standard.

In January 2015, the FASB issued ASU 2015-01 which provides guidance on the elimination of the concept of extraordinary items under GAAP. This ASU is effective for annual periods ending after December 15, 2016, and interim periods within those fiscal years, with early adoption permitted. The Company is currently evaluating the potential effect on its consolidated financial statements from adoption of this standard.

In February 2015, the FASB issued ASU 2015-02 which provides consolidation guidance and changes the way reporting enterprises evaluate consolidation for limited partnerships, investment companies and similar entities, as well as variable interest entities. The ASU is effective for annual and interim periods in fiscal years beginning after December 15, 2015. The Company is currently evaluating the potential effect on its consolidated financial statements from adoption of this standard.

In April 2015, the FASB issued ASU 2015-03 – Simplifying the Presentation of Debt Issuance Costs, which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. ASU 2015-03 requires retrospective adoption and will be effective for annual and interim periods in fiscal years beginning after December 15, 2015. Early adoption is permitted. The Company is currently evaluating the potential effect on its consolidated financial statements from adoption of this standard.

4. Business combinations

On October 31, 2013, (the “Acquisition Date”), the Company completed the acquisition of Enterasys Networks, Inc. ("Enterasys"), a privately held provider of wired and wireless network infrastructure and security solutions, for $180.0 million, net of cash acquired. The Company also assumed outstanding options and restricted stock units of Enterasys at the Acquisition Date, all of which were unvested.

The acquisition was accounted for using the acquisition method of accounting. The preliminary and final purchase price allocation as of the date of the acquisition is set forth in the table below and reflects various fair value estimates. The following table summarizes the final allocation as of September 30, 2014, of the tangible and identifiable intangible assets acquired and liabilities assumed as compared to the allocation as of December 31, 2013, the quarter in which the transaction was completed (in thousands):

	Preliminary Allocation as of December 31, 2013 (Initial allocation)		Change during the measurement period		Final Allocation as of September 30, 2014	
Cash	$4,969		$2,428	a	$7,397	
Receivables	25,699		(2,428	) a	23,271	
Inventory	33,662		—		33,662	
Other current assets	8,888		(1,514	) b	7,374	
Property and equipment	23,122		(1,829	) c	21,293	
Identifiable intangible assets	108,900		—	d	108,900	
In-process research and development	3,000		—		3,000	
Deferred tax assets	9		—		9	
Other assets	7,343		—		7,343	
Goodwill	57,922		12,955		70,877	
Current liabilities	(75,394	)	(6,141	) c,e,f	(81,535	)
Other long-term liabilities	(13,151	)	(1,043	) c	(14,194	)
Total purchase price allocation	$184,969		$2,428		$187,397	
Less: Cash acquired from acquisition	(4,969	)	(2,428	) a	(7,397	)
Total purchase price consideration, net of cash acquired	$180,000		$—		$180,000	

a. The Company finalized the working capital adjustment as of September 30, 2014, which led to a decrease of $2.4 million in receivables and a corresponding increase in cash. As a result of this adjustment, the total cash acquired from the acquisition also increased by the same amount. The net effect of this adjustment is an increase in goodwill of $2.4 million.

b. The Company obtained new information regarding the existence of prepaid assets as of the acquisition date which led to a decrease in the fair value of current assets of $1.5 million, and a corresponding increase in goodwill. The change in the amortization of prepaid assets due to the change in fair value of current assets was immaterial.

c. The Company updated its preliminary estimate of the fair value of property and equipment which led to a decrease of $3.0 million in property and equipment with a corresponding increase in goodwill. The Company also updated the fair values of the asset retirement obligations and the related asset retirement assets which led to an increase in the fair value of property and equipment of $1.2 million and a corresponding increase in current liabilities and other long-term liabilities of $0.2 million and $1.0 million, respectively. The decrease in depreciation expense due to the change in fair value of property and equipment was immaterial.

d. During the nine months ended September 30, 2014, there were no changes to the fair value of the identifiable intangible assets acquired. However, the Company revised the estimated useful life of Order backlog from 1.5 years to 1 year.

e. The Company obtained new information regarding accruals for litigation and statutory tax assessment as of the acquisition date which led to an increase in the fair value of current liabilities of $5.4 million and a corresponding increase in goodwill.

f. The Company obtained new information regarding the existence of accrued liabilities as of the acquisition date which led to a net increase in the fair value of accrued liabilities by $0.5 million with a corresponding increase in goodwill.

5. Balance Sheet Accounts

Cash, Cash Equivalents, Short-Term Investments

Summary of Cash and Available-for-Sale Securities (in thousands)

	March 31, 2015	June 30, 2014
Cash	$54,288	$72,623
Cash equivalents	19,779	567
Short-term investments	1,506	32,692
Total available-for-sale	$21,285	$33,259
Total cash, cash equivalents and available-for-sale securities	$75,573	$105,882

Available-for-Sale Securities

The following is a summary of available-for-sale securities (in thousands):

	Amortized Cost	Fair Value	Unrealized Holding Gains	Unrealized Holding Losses
March 31, 2015				
Money market funds	$19,779	$19,779	$—	$—
U.S. corporate debt securities	1,506	1,506		—
	$21,285	$21,285	$—	$—
Classified as:				
Cash equivalents	$19,779	$19,779	$—	$—
Short-term investments	1,506	1,506		—
	$21,285	$21,285	$—	$—
June 30, 2014				
Money market funds	$567	$567	$—	$—
U.S. corporate debt securities	32,578	32,692	114	—
	$33,145	$33,259	$114	$—
Classified as:				
Cash equivalents	$567	$567	$—	$—
Short-term investments	32,578	32,692	114	—
	$33,145	$33,259	$114	$—

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The amortized cost and estimated fair value of available-for-sale investments in debt securities at March 31, 2015, by contractual maturity, were as follows (in thousands):

	Amortized Cost	Fair Value
Due in 1 year or less	$21,285	$21,285
Total investments in available-for-sale debt securities	$21,285	$21,285

The Company considers highly liquid investments with maturities of three months or less at the date of purchase to be cash equivalents. Investments with original maturities of greater than three months, but less than one year at the balance sheet date are classified as Short-term investments.

The Company accumulates unrealized gains and losses on the Company's available-for-sale debt securities, net of tax, in accumulated other comprehensive income (loss) in the stockholders' equity section of its balance sheets. If the fair value of an available-for-sale debt instrument is less than its amortized cost basis, an other-than-temporary impairment is triggered in circumstances where (1) the Company intends to sell the instrument, (2) it is more likely than not that the Company will be required to sell the instrument before recovery of its amortized cost basis, or (3) the Company does not expect to recover the entire amortized cost basis of the instrument (that is, a credit loss exists).

The Company determines the basis of the cost of a security sold or the amount reclassified out of accumulated other comprehensive income (loss) into earnings using the specific identification method. The Company recorded an other-than temporary impairment loss of $148,000 during the nine months ended March 31, 2014.

Deferred Revenue, Net

Deferred revenue, net represents amounts for (i) deferred services revenue (support arrangements, professional services and training), and (ii) deferred product revenue net of the related cost of revenue when the revenue recognition criteria have not been met. The following table summarizes deferred revenue, net (in thousands):

	March 31, 2015	June 30, 2014
Deferred services	$88,737	$89,657
Deferred product and other revenue	7,610	8,020
Total deferred revenue	96,347	97,677
Less: current portion	73,206	74,735
Non-current deferred revenue, net	$23,141	$22,942

The Company offers for sale to its customers, renewable support arrangements that range from one to five years. Deferred support revenue is included within deferred revenue, net within the services category above. The change in the Company’s deferred support revenue balance in relation to these arrangements was as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
Balance beginning of period	$91,373	$81,485	$89,657	$38,003
Assumed from acquisition	—	—	—	35,879
New support arrangements	27,198	30,986	91,254	77,475
Recognition of support revenue	(29,834)	(28,265)	(92,174)	(67,151)
Balance end of period	88,737	84,206	88,737	84,206

Less: current portion	65,596	64,539	65,596	64,539
Non-current deferred revenue	$23,141	$19,667	$23,141	$19,667

Deferred Distributors Revenue, Net of Cost of Sales to Distributors
The Company records revenue from its distributors on a sell-through basis, recording deferred revenue and deferred cost of sales associated with all sales transactions to its distributors in “Deferred distributor' revenue, net of cost of sales to distributors”

in the liability section of its condensed consolidated balance sheet. The amount shown as "Deferred distributors revenue, net of cost of sales to distributors" represents the deferred gross profit on sales to distributors based on contractual pricing.

The following table summarizes deferred distributors revenue, net of cost of sales to distributors (in thousands):

	March 31, 2015	June 30, 2014
Deferred distributors' revenue	$46,230	$40,715
Deferred cost of sales to distributors	(10,543)	(8,723)
Deferred distributors revenue, net of cost of sales to distributors	$35,687	$31,992

Debt

The Company's debt is comprised of the following (in thousands):

	March 31, 2015	June 30, 2014
Current portion of long-term debt:		
Term Loan	$9,750	$5,688
Revolving Facility	—	24,000
Current portion of long-term debt	$9,750	$29,688
Long-term debt, less current portion:		
Term Loan	$48,750	$56,875
Revolving Facility	10,000	35,000
Total long-term debt, less current portion	58,750	91,875
Total debt	$68,500	$121,563

On October 31, 2013, the Company entered into a Credit Agreement (the "Credit Agreement") which provides for a five-year revolving credit facility for up to $60.0 million (the "Revolving Facility") and a $65.0 million five-year term loan (the "Term Loan") and together with the Revolving Facility (the "Senior Secured Credit Facilities"). The Company drew $24.0 million in the first quarter of fiscal 2015 to fund working capital requirements. During the three months ended December 31, 2014, the Company amended the Credit Agreement and among other things modified certain financial covenants governing quick and leverage ratios. The Company repaid $30.0 million and $19.0 million of the Revolving Facility during the second and third fiscal quarters of 2015, respectively.

The Credit Agreement contains, among others, certain financial covenants that require the Company to maintain defined minimum financial ratios which limit the Company's availability to borrowings under the Revolving Facility. As of March 31, 2015, the Company had $8.6 million of additional availability under the Revolving Facility, due to these financial covenants.

The Company had $1.0 million of outstanding letters of credit as of March 31, 2015.

Guarantees and Product Warranties

Upon issuance of a standard product warranty, the Company discloses and recognizes a liability for the obligation it assumes under the warranty. The Company's standard hardware warranty period is typically 12 months from the date of shipment to end-users and 90 days for software. For certain products, the Company offers a limited lifetime hardware warranty commencing on the date of shipment from the Company and ending five (5) years following the Company's announcement of the end of sale of such product. The following table summarizes the activity related to the Company's product warranty liability during the three and nine months ended March 31, 2015 and 2014, (in thousands):

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EXTREME NETWORKS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	Three Months Ended		Nine Months Ended	
	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
Balance beginning of period	$7,845	$7,479	$7,551	$3,296
Assumed from acquisition	—	—	—	3,732
New warranties issued	1,751	1,824	5,699	4,782
Warranty expenditures	(1,717)	(1,478)	(5,371)	(3,985)
Balance end of period	$7,879	$7,825	$7,879	$7,825

The Company has agreed to hold the customer harmless against losses arising from a breach of intellectual property infringement or other claims made against certain parties. These agreements may limit the time within which an indemnification claim can be made and the amount of the claim. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is not estimable. We have not recorded a liability related to these indemnification and guarantee provisions and our guarantee and indemnification arrangements have not had any significant impact on our consolidated financial statements to date.

Concentrations

The Company may be subject to concentration of credit risk as a result of certain financial instruments consisting principally of marketable investments and accounts receivable. The Company has placed its investments with high-credit quality issuers. The Company does not invest an amount exceeding 10% of its combined cash, cash equivalents, short-term investments and marketable securities in the securities of any one obligor or maker, except for obligations of the United States government, obligations of United States government agencies and money market accounts.

The following table sets forth major customers accounting for 10% or more of our net revenue for the periods indicated:

	Three Months Ended		Nine Months Ended	
	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
Westcon Group, Inc.	16%	14%	14%	13%
ScanSource, Inc.	13%	*	*	*
Tech Data Corporation	*	16%	14%	12%