

EXTREME NETWORKS INC
Form DEF 14A
October 25, 2007
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 25, 2007

Dear Stockholder:

You are cordially invited to attend our 2007 Annual Meeting of Stockholders to be held on Thursday, December 6, 2007 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 two Class III members of the Board of Directors for a three-year term, and to ratify the appointment of our independent auditors for fiscal 2008. 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 2007, 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 July 1, 2007, and a stock price performance graph are 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 any of the proposals, please contact Extreme Networks Investor Relations at (408) 579-3030. We look forward to your attendance at the annual meeting.

Yours Very Truly,
Mark Canepa

President & Chief Executive Officer

Table of Contents

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

October 25, 2007

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 6, 2007 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 two Class III 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 29, 2008; 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 24, 2007 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,

/s/ Alicia Jayne Moore
Alicia Jayne Moore

**Vice President, Corporate Business Development,
General Counsel and Secretary**

Santa Clara, California

October 25, 2007

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

STOCK PRICE PERFORMANCE GRAPH

Set forth below is a stock price performance graph comparing the annual percentage change in the cumulative total return on our common stock with the cumulative total returns of the CRSP Total Return Index for The Nasdaq Stock Market (U.S. companies) and the Nasdaq Computer Manufacturing Stocks Index for the period commencing June 28, 2002 and ending on June 29, 2007.

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>Nominees for Class III Directors Serving a Term Expiring at the 2010 Annual Meeting</u>	4
<u>Class III Director Serving a Term Expiring at the 2007 Annual Meeting; Not Standing for Re-Election</u>	5
<u>Class I Directors Serving a Term Expiring at the 2008 Annual Meeting</u>	5
<u>Class II Directors Serving a Term Expiring at the 2009 Annual Meeting</u>	6
<u>CORPORATE GOVERNANCE</u>	7
<u>Meetings of the Board of Directors</u>	8
<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>	12
<u>Code of Ethics and Corporate Governance Materials</u>	12
<u>DIRECTORS' COMPENSATION</u>	13
<u>PROPOSAL TWO: RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS</u>	16
<u>Principal Accounting Fees and Services</u>	16
<u>Vote Required and Board of Directors Recommendation</u>	17
<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u>	18
<u>EXECUTIVE COMPENSATION AND OTHER MATTERS</u>	20
<u>Compensation Discussion and Analysis</u>	20
<u>Summary Compensation Table</u>	40
<u>Summary of Employment and Other Agreements</u>	41
<u>Grants of Plan-Based Awards</u>	47
<u>Outstanding Equity Awards at Fiscal Year-End</u>	49
<u>Option Exercises and Stock Vested During Last Fiscal Year</u>	50
<u>Pension Benefits and Nonqualified Deferred Compensation Plans</u>	50
<u>Potential Payments upon Termination or Change in Control</u>	50
<u>Compensation Committee Interlocks and Insider Participation</u>	54
<u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</u>	55
<u>Actual or Potential Conflicts of Interest</u>	55
<u>Reporting, Review and Approval of Related Party Transactions</u>	55
<u>Indebtedness of Management</u>	56

Table of Contents

<u>EQUITY COMPENSATION PLAN INFORMATION</u>	57
<u>SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u>	58
<u>REPORT OF THE COMPENSATION COMMITTEE</u>	59
<u>REPORT OF THE AUDIT COMMITTEE</u>	60
<u>STOCKHOLDER PROPOSALS TO BE PRESENTED AT NEXT ANNUAL MEETING</u>	61
<u>TRANSACTION OF OTHER BUSINESS</u>	61
<u>COMMUNICATING WITH EXTREME NETWORKS</u>	62

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 6, 2007 (the 2007 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 2007 Annual Report on Form 10-K for the fiscal year ended July 1, 2007, a stock price performance graph, and the accompanying proxy card, will be first mailed on or about November 6, 2007 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.

Who May Vote

You may vote your shares of Extreme Networks common stock if our records show that you owned your shares on October 24, 2007. At the close of business on that date, 114,753,405 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

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

Edgar Filing: EXTREME NETWORKS INC - Form DEF 14A

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 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 two Class III 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 29, 2008; 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 6, 2007 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 two Class III 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 29, 2008.

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 2008.

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, the Annual Report on Form 10-K and the stock price performance graph on the Internet at <http://www.extremenetworks.com/aboutus/investor/Default.asp>. If you have questions about electronic delivery, please call Extreme Networks Investor Relations 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, the 2007 Annual Report to Stockholders on Form 10-K and the stock price performance graph, 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 three Class III directors. The current term of the Class III directors will expire on the date of the upcoming annual meeting.

At the recommendation of the Board of Directors Nominating and Corporate Governance Committee, the Board of Directors nominees for election at the 2007 Annual Meeting as Class III directors are Charles Carinalli and John C. Shoemaker. Messrs. Carinalli and Shoemaker are currently members of the Board of Directors of Extreme Networks. The third current Class III director is W. Michael West, who is not standing for re-election at the 2007 Annual Meeting, leaving his Board seat vacant upon the expiration of his term at the 2007 Annual Meeting.

Please see below for information concerning each nominee. If elected, Messrs. Carinalli and Shoemaker will serve as directors until the annual meeting of stockholders in 2010 and until their successors are elected and qualified or until their earlier resignation or removal.

If either Mr. Carinalli or Mr. Shoemaker declines to serve or becomes 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 such 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.

Following are profiles for the Class III directors nominated for election at the upcoming annual meeting and for each Class I and Class II director. With the exception of Mr. Shoemaker, the stockholders previously elected each of these directors to the Board of Directors.

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

Charles Carinalli. Mr. Carinalli has served as a director of Extreme Networks 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

Edgar Filing: EXTREME NETWORKS INC - Form DEF 14A

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 currently serves on the Boards of Directors of privately held companies and Fairchild Semiconductor, a publicly traded semiconductor company, including positions on Fairchild's compensation committee and nominating and corporate governance committee. Mr. Carinalli holds an M.S.E.E. from Santa Clara University and a B.S.E.E. from the University of California, Berkeley.

Table of Contents

John C. Shoemaker. Mr. Shoemaker has served as a director of our company since October 2007. Mr. Shoemaker has three decades of high-technology experience. Beginning in 1990 and continuing through June 2004, Mr. Shoemaker held various executive management positions at Sun Microsystems, a publicly-traded provider of network computing infrastructure solutions, including 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 publicly-traded provider of document management technology and services. Mr. Shoemaker received a bachelor's degree from Hanover College, where he is currently on the Board of Trustees. He also holds a Master of Business Administration degree from Indiana University where he is a member of the School of Business Dean's Advisory Council and CIO Advisory Council. He has also completed Ph.D. coursework at the Indiana University School of Government and has served on the boards of various private and not-for-profit entities, including the Indiana University Foundation. Mr. Shoemaker is a member of the Boards of Directors of Altera Inc., a publicly-traded provider of programmable logic solutions, and is Chairman of the Board of Directors and a member of the audit committee of SonicWALL, Inc., a publicly-traded designer, developer and manufacturer of comprehensive network security, email security, secure remote access, and backup and recovery solutions.

Class III Director Serving a Term Expiring at the 2007 Annual Meeting; Not Standing for Re-Election

W. Michael West. Mr. West has served as a director since August 30, 2006 and as Chairman of the Board of Directors of Extreme Networks from September 2004 until October 2006. From June 2003 to July 2004, Mr. West served as director of Larscom Incorporated, a telecommunications equipment provider. From April 2002 to June 2003, Mr. West served as Chief Executive Officer of VINA Technologies, Inc., a telecommunications equipment provider, and served as its chairman of the Board of Directors from June 1999 to June 2003. From September 1997 to January 1998, Mr. West served as Executive Vice President for Lucent Technologies, a communications company. From February 1995 to July 1997, Mr. West was President, Chief Operating Officer and a director of Octel Communications, a telecommunications equipment provider, after having served as an Executive Vice President from September 1986 to February 1995. Mr. West held multiple positions at Rolm Corp from 1979 to September 1986, most recently as general manager of the National Sales Division.

Class I Directors Serving a Term Expiring at the 2008 Annual Meeting

Gordon L. Stitt. Mr. Stitt has served as our Chairman of the Board of Directors since October 2006. Mr. Stitt co-founded Extreme Networks in May 1996 and served as our President and Chief Executive Officer since its inception until August 30, 2006, and he remained with the Company as a regular employee until December 4, 2006. He also has served as a director of Extreme Networks since its inception. 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 currently serves on the Boards of Directors of privately held companies. Mr. Stitt also serves as Chairman of the Industry Advisory Board for the Computer Engineering Department at Santa Clara University. Mr. Stitt holds an M.B.A. from the Haas School of Business of the University of California, Berkeley and a B.S. in Electrical Engineering and Computer Science from Santa Clara University.

Mark Canepa. Mr. Canepa joined Extreme as President and Chief Executive Officer on August 30, 2006 and our Board of Directors appointed him as member of the Board in October 2006. Prior to joining Extreme, he was with Sun Microsystems where he served as Executive Vice President of the Network Storage Products Group. Prior to that role, he served in multiple vice president and general manager roles at Sun, after joining the company in 1996. Mr. Canepa's 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 a B.S. and an M.S. in Electrical Engineering from Carnegie Mellon University, and he has also completed the University of Pennsylvania's Advanced Management Program at the Wharton School.

Edgar Filing: EXTREME NETWORKS INC - Form DEF 14A

Kenneth Levy. Mr. Levy has served as a director of Extreme Networks since October 2001. Mr. Levy is a private investor. Mr. Levy is the Chairman Emeritus of KLA-Tencor. He co-founded KLA Instruments

Table of Contents

Corporation in 1975 (now KLA-Tencor Corporation after a merger in 1997). From July 1, 1999 until October 2006 he was Chairman of the Board and a director of KLA-Tencor, a supplier of process control and yield management solutions for the semiconductor industry. From July 1998 until June 30, 1999, he was the Chief Executive Officer and a director of KLA-Tencor, and from April 30, 1997 until June 30, 1998, he served as its Chairman of the Board. From 1975 until April 30, 1997, he was Chairman of the Board and Chief Executive Officer of KLA Instruments Corporation. Mr. Levy currently serves on the board of directors of Saifun Semiconductors Ltd., a provider of intellectual property solutions for the non-volatile memory market. Mr. Levy holds an M.S.E.E. from Syracuse University and a B.S. in Electrical Engineering from City College of New York. 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 a director of Extreme Networks 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, after Oracle Corporation acquired Thor Technologies, Inc. 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, and in February 1999, Mr. Corey was elected to its Board of Directors. Forte Software, Inc. completed a merger with 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 serves on the Boards of Directors of Interwoven, Inc., a publicly traded company and provider of enterprise content management software, and Veraz Networks, a publicly traded company and provider of IP softswitches, media gateways and digital compression products, and he acts as the Chairman of each of their audit committees. Mr. Corey also currently serves on the Board of Directors of a private company.

Harry Silverglide. Mr. Silverglide has served as a director of Extreme Networks since June 2004. From January 1997 to July 2002, Mr. Silverglide served as the Vice President of Sales of Extreme Networks. 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. From April 1984 to July 1994, he worked in sales and senior sales management positions at Ungermann Bass, a network communications company.

The following table provides information concerning the age and background of our directors and nominees as of October 1, 2007.

Name	Principal Occupation with Extreme Networks, Inc.	Director		
		Age	Since	Class
Gordon L. Stitt	Chairman of the Board of Directors, Former President, Chief Executive Officer and Director	51	1996	I
Mark Canepa	President, Chief Executive Officer and Director	52	2006	I
Kenneth Levy	Director	64	2001	I
Bob. L. Corey	Director	56	2003	II
Harry Silverglide	Director	61	2004	II
Charles Carinalli	Director	59	1996	III
W. Michael West	Director (not standing for re-election to the Board at the 2007 Annual Meeting)	57	2004	III
John C. Shoemaker	Director Nominee	64	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 2007 annual meeting of stockholders. There are no family relationships among any of our directors or executive officers.

Table of Contents

CORPORATE GOVERNANCE

Our Board of Directors currently consists of eight 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 Messrs. Mark Canepa, Gordon L. Stitt and Kenneth Levy. The Class II directors are Messrs. Bob L. Corey and Harry Silverglide. The Class III directors are Messrs. Charles Carinalli, W. Michael West and John C. Shoemaker. W. Michael West is not standing for re-election as a Class III director at the 2007 Annual Meeting.

The Board of Directors has determined that, other than Mark Canepa, W. Michael West and Gordon Stitt, each of the members 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 III, Class I and Class II directors will serve until the annual meetings of stockholders to be held in 2007, 2008 and 2009, 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).

In September 2004, the Board of Directors appointed W. Michael West as the Chairman of the Board. Until September 1, 2006, Mr. West also was engaged by us as working chairman. In this capacity, in addition to his role as Chairman of the Board, he spent a significant amount of time working with Mr. Stitt on the management of Extreme Networks. His compensation was structured in light of this role, and his responsibility for working with Mr. Stitt on our long-term success. As a result of the nature of his role and his compensation structure, the Board determined that he is not an independent director within the meaning of the Nasdaq Marketplace Rules. On October 25, 2006, Mr. Stitt assumed the role of Chairman of the Board. Mr. West is not standing for re-election to the Board at the 2007 Annual Meeting.

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 may 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 shareholders;

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

Edgar Filing: EXTREME NETWORKS INC - Form DEF 14A

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 such 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 the affairs of Extreme Networks. Our non-employee directors devote such 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.

Table of Contents

Meetings of the Board of Directors

The Board of Directors held twelve meetings during the fiscal year ended July 1, 2007. No director serving on the Board of Directors in fiscal year 2007 attended fewer than 75% of such meetings of the Board of Directors and the committees on which he serves. During the fiscal year ended July 1, 2007, the independent members of the Board of Directors met seven times in executive session without members of management present.

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.

Audit Committee. The members of the Audit Committee during fiscal year 2007 were Messrs. Charles Carinalli, Bob L. Corey and Harry Silverglide. All members of the Audit Committee during fiscal year 2007 were independent for purposes of the Nasdaq Marketplace Rules and the rules of the SEC as such 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 Extreme Networks 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 Extreme Networks 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 eleven meetings during the fiscal year ended July 1, 2007. For more information about the Audit Committee, see Report of the Audit Committee below in this proxy statement on Schedule 14A.

Compensation Committee. The members of the Compensation Committee during fiscal year 2007 were Messrs. Charles Carinalli, Bob L. Corey and Kenneth Levy. Effective as of July 31, 2007, the date after the 2006 annual meeting of stockholders, Mr. Levy resigned from the Compensation Committee and Mr. Silverglide was appointed to serve on the Compensation Committee. Each member of the Compensation Committee during fiscal year 2007 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 the Company's 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 the Company's 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 such duties or responsibilities only under limited circumstances. The Company's President and Chief Executive Officer and its Vice President of Human Resources assist the Compensation Committee in its deliberations with respect to the compensation of the Company's executive officers, except that the President and Chief Executive Officer 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, other than discussing individual performance objectives with the President and Chief Executive Officer. The President and Chief

Table of Contents

Executive Officer does not have the ability to call Compensation Committee meetings, but he can attend such meetings to the extent that there is no discussion of his own compensation determination. For fiscal year 2007, the Company's human resources department engaged the executive compensation firm, Aon/Radford, for consultations regarding Board of Directors and committee compensation, the structure and competitiveness of the Company's CEO compensation, the development of a change-of-control severance policy and the delivery of certain Radford Benchmark Survey Data. The Company's human resources department facilitated communications between the Compensation Committee and Aon/Radford. Other than this limited consultation with Aon/Radford, the Compensation Committee did not engage any outside professional compensation consulting firm with respect to the determination of executive compensation, benchmarks or peer group selection for fiscal year 2007. For fiscal year 2008, the Compensation Committee, through an initial introduction by the Company's human resources department, engaged Aon/Radford to conduct a comprehensive review of the Company's executive compensation philosophy, strategies and practices, and to advise the Compensation Committee regarding the results of its review. The Compensation Committee held seven meetings during the fiscal year ended July 1, 2007. For more information about the Compensation Committee, see *Executive Compensation* below in this proxy statement on Schedule 14A.

Nominating and Corporate Governance Committee. The members of the Nominating and Corporate Governance Committee during fiscal year 2007 were Messrs. Bob L. Corey and Kenneth Levy. Effective as of July 31, 2007, the date after the 2006 annual meeting of stockholders, Charles Carinalli was appointed to serve on the Nominating and Corporate Governance Committee. Each member of the Nominating and Corporate Governance Committee during fiscal year 2007 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 the our Board of Directors, is responsible for recommending corporate governance principles, codes of conduct and compliance mechanisms applicable to Extreme Networks, 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 six meetings in fiscal year 2007.

Option Special Committee. On September 11, 2006, based on information developed by Company management and at the Audit Committee's recommendation, the Board of Directors appointed a special committee of the Board (the Option Special Committee) to conduct an independent investigation of our historical practices for granting and accounting for stock options and to present findings and recommendations to the Board. The Option Special Committee has completed its investigation. The members of the Option Special Committee during fiscal year 2007 were Bob L. Corey and W. Michael West. During fiscal year 2007, Mr. Corey served as the Chairman of the Option Special Committee.

Compensation Committee Interlocks and Insider Participation

During fiscal year 2007, no member of the Compensation Committee was a current or former officer or employee of Extreme Networks or any of its subsidiaries. Mr. Silverglide, who was appointed to the Compensation Committee effective as of July 31, 2007, served as the Vice President of Sales for Extreme Networks from January 1997 to July 2002. No executive officer of Extreme Networks 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 of Extreme Networks 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;

Table of Contents

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;

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.

The Nominating and Corporate Governance Committee's goal is to assemble a Board of Directors that brings to Extreme Networks 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 such other factors as it may deem, from time to time, are in the best interests of Extreme Networks and its 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. Such 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

Table of Contents

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 such meeting is first made. For purposes of the foregoing, public announcement shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Company with the Securities and Exchange Commission. Such 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

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.

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.

Because no annual meeting was held during fiscal year 2006, in order for a stockholder proposal to be properly brought before the 2007 annual meeting, stockholder recommended nominees to be presented at the fiscal year 2007 annual meeting must be received at our principal executive offices, addressed to the Secretary, not later than the close of business on the tenth day following the day on which notice of the date of the meeting is mailed or public disclosure of the meeting date is first made, if ever.

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:

Edgar Filing: EXTREME NETWORKS INC - Form DEF 14A

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

Extreme Networks

c/o Vice President, General Counsel & Secretary

3585 Monroe Street

Santa Clara, CA 95051

The Vice President, General Counsel and Secretary will maintain a log of such communications and transmit each communication as soon as practicable to the identified director addressee(s), unless 1) there are safety or security concerns that mitigate against further transmission of the communication; or 2) the

Table of Contents

communication contains commercial matters not related to the stockholder's stock ownership, as determined by the Vice President, General Counsel and 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 such annual meeting. Directors make every effort to attend our annual meeting of stockholders when meaningful stockholder attendance at such meeting is anticipated. Directors Mark Canepa, Bob L. Corey, Charles Carinalli and Kenneth Levy attended our 2006 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. 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.

Extreme Networks believes that good corporate governance is essential to ensure that Extreme Networks is 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.

Table of Contents

DIRECTORS COMPENSATION

During fiscal 2007 until January 1, 2007, all non-employee members of the Board of Directors received an annual cash retainer of \$25,000, payable quarterly, and each member of a committee of the Board of Directors received an annual cash retainer of \$10,000, payable quarterly, in return for service on each such committee. In addition, the chairman of the audit committee received an annual cash retainer of \$25,000, payable quarterly. All directors were entitled to reimbursement of all reasonable out-of-pocket expenses incurred in connection with their attendance at meetings of the Board of Directors and committee meetings. All directors were eligible to receive stock option grants under our stock option plans at the discretion of the Board of Directors.

During fiscal 2007, new non-employee members of the Board of Directors would have been entitled to receive an initial stock option grant of 50,000 shares with a three-year vesting schedule in equal monthly installments upon their initial appointment to the Board of Directors. However, because no new non-employee members of the Board of Directors were appointed to the Board of Directors during fiscal 2007, no such options were granted to any members of the Board of Directors during fiscal 2007. Annually after their initial appointment, each non-employee Board member would have been entitled to receive a 30,000 share stock option grant following the annual stockholders meeting (each, an Annual Option), which Annual Option vests in full and becomes exercisable on the day immediately preceding the first annual meeting of stockholders after the grant date of the Annual Option. However, because the Company did not hold an annual stockholders meeting during fiscal 2007, no Annual Options were granted to non-employee members of the Board of Directors during fiscal 2007.

Until September 1, 2006, W. Michael West, our Chairman of the Board of Directors until October 2006, was engaged by us as working chairman. In this capacity, in addition to his role as chairman of our Board of Directors, he spent a significant amount of time working with Mr. Stitt on the management of Extreme Networks. His compensation was structured in light of this role, and his responsibility for working with Mr. Stitt on our long-term success. Mr. West received an annual cash retainer of \$160,000, upon joining Extreme Networks received an option to purchase 400,000 shares of our common stock that vests over four years, and was eligible for an annual target bonus of \$160,000 based upon the attainment of certain goals established by the Board of Directors. Mr. West is not standing for re-election to our Board of Directors at the 2007 Annual Meeting.

In October 2006, the Board of Directors approved replacing the then-current compensation policies applicable to non-employee members of the Board and its committees. Pursuant to such changes, the compensation policies for non-employee service on the Board and its committees are as follows:

Cash Compensation

Effective as of January 1, 2007, each non-employee director receives \$40,000 in cash compensation annually for service in such position.

Effective as of January 1, 2007, each non-employee director receives cash compensation for each Board committee on which such director serves as follows:

Each member of the Audit Committee of the Board receives \$20,000 in cash compensation annually for service in such position, and the Chair of the Audit Committee receives an additional \$10,000 in cash compensation annually for acting as Chair;

Edgar Filing: EXTREME NETWORKS INC - Form DEF 14A

Each member of the Compensation Committee of the Board receives \$10,000 in cash compensation annually for service in such position, and the Chair of the Compensation Committee receives an additional \$10,000 in cash compensation annually for acting as Chair;

Each member of the Nominating and Governance Committee of the Board, including the Chair of the Nominating and Governance Committee, receives \$10,000 in cash compensation annually for service in such position; and

Table of Contents

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 such special committee and such other factors as the Compensation Committee may consider.

Each non-employee director will continue to receive reimbursement of expenses related to attendance of meetings of the Board and its committees.

Equity Compensation

Effective on the date of the 2006 Annual Meeting, each non-employee director that initially joins the Board after October 25, 2006 automatically is granted an initial 8,333 shares of the Company's restricted stock and an initial option to purchase 25,000 shares of the Company's common stock. Such options and restricted stock grants are made under the Company's 2005 Equity Incentive Plan or successor plan (the "2005 Plan"), pursuant to the standard option agreement used under the 2005 Plan for directors. The exercise price per share of each such option, and the grant price of each such share of restricted stock, is the closing sale price of the Company's common stock on the Nasdaq National Market on the second trading day following the public announcement of quarterly financial results. Each such 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 such 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 the Company's stockholders beginning with the 2006 Annual Meeting, each non-employee director automatically is granted 5,000 shares of the Company's restricted stock and an option to purchase 15,000 shares of the Company's common stock. Such 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 such option, and the grant price of each such share of restricted stock, is the closing sale price of the Company's common stock on the Nasdaq National Market at the close of business on the date of grant (the date of the Annual Meeting). Each such 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.

Following the 2006 Annual Meeting held on July 30, 2007, Messrs. Corey, West, Stitt, Silverglide, Carinalli and Levy each received a grant of 5,000 shares of the Company's restricted stock and an option to purchase 15,000 shares of the Company's common stock on July 30, 2007, at an exercise price of \$4.18. In addition, in connection with Mr. Shoemaker's appointment to the Board of Directors as of October 23, 2007, it is expected that Mr. Shoemaker will receive a grant of 8,333 shares of the Company's restricted stock and an option to purchase 25,000 shares of the Company's common stock on the second trading day following the public announcement of the Company's financial results for the second quarter, at an exercise price equal to the closing sale price of the Company's common stock on the Nasdaq National Market on such date.

Effective on October 25, 2006, the Board approved compensation for a special committee formed by the Board in September 2006 to review the Company's historical practices for stock option grants and the accounting for option grants (the "Option Special Committee"). Each non-employee director serving on the Option Special Committee (Mr. Corey and Mr. West) received \$10,000 in cash compensation for service in such position, and the Chair of the Option Special Committee (Mr. Corey) received an additional \$10,000 in cash compensation for acting as Chair of the Option Special Committee.

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

Table of Contents

statement on Schedule 14A, superseded the Amended Policy with respect to shares subject to options held by the Company's 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 the Company's non-employee directors during fiscal year 2007 is set forth below:

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation	Change in Pension Value and Non-qualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total
Charles Carinalli	62,500(1)						62,500
Bob L. Corey	100,000(2)						100,000
Kenneth Levy	52,500(3)						52,500
Harry Silverglide	47,500(4)						47,500
Gordon L. Stitt	20,000(5)						20,000
W. Michael West	30,000(6)						30,000
	312,500						312,500

- (1) Consists of \$32,500 for annual retainer, \$15,000 for service on the Audit Committee and \$15,000 for service on the Compensation Committee.
- (2) Consists of \$32,500 for annual retainer, \$27,500 for service as the Chairman of the Audit Committee, \$20,000 for service as the Chairman of the Option Special Committee, \$10,000 for service on the Compensation Committee and \$10,000 for service on the Nominating and Corporate Governance Committee.
- (3) Consists of \$32,500 for annual retainer, \$10,000 for service on the Compensation Committee and \$10,000 for service on the Nominating and Corporate Governance Committee.
- (4) Consists of \$32,500 for annual retainer and \$15,000 for service on the Audit Committee.
- (5) Consists of \$20,000 for annual retainer.
- (6) Consists of \$20,000 for annual retainer and \$10,000 for service on the Option Special Committee.

See *Corporate Governance* above in this proxy statement on Schedule 14A for more information about our Board of Directors.

Table of Contents**PROPOSAL TWO:****RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS**

The Board of Directors has appointed Ernst & Young LLP, independent registered public accounting firm, to serve as independent auditors to audit the financial statements of Extreme Networks for the fiscal year ending June 29, 2008. 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 Extreme Networks for the fiscal years ended July 1, 2007 and July 2, 2006 by Ernst & Young LLP:

	Fiscal Year 2007	Fiscal Year 2006
Audit fees(1)	\$ 1,870,000	\$ 2,274,000
Audit related fees(2)	172,000	88,000
Tax fees(3)	110,000	264,000
Audit of Restated Financials(4)	1,567,000	
All other fees(5)	0	5,000
	\$ 3,719,000	\$ 2,631,000

- (1) Fees for audit services consist of:
 Integrated audit of the Company's annual consolidated financial statements and internal control over financial reporting at the end of the fiscal year;
 Reviews of the Company's 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 the preparation of various federal, state and local tax returns.
- (4) Audit of restated financial statements for fiscal years 2000 to 2005 related to the investigation by the Option Special Committee.
- (5) All other fees were primarily for services provided in connection with the filing of corporate documents

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 2007 and 2006, no portion of the Audit-Related Fees, Tax Fees or All Other 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 Extreme Networks and has concluded that such services are compatible with Ernst & Young LLP's independence as Extreme Networks 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 the Extreme Networks 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 Extreme Networks and its 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 29, 2008.

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

The following table sets forth, as of September 30, 2007, 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 director and director nominee of Extreme Networks, 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.

	Number of Shares Beneficially Owned(2)	Percent of Shares Beneficially Owned(3)
Beneficial Owner(1)		
5% Stockholders		
Wells Fargo & Company 420 Montgomery Street San Francisco, California 94104	8,662,239(4)	7.6%
Merrill Lynch & Co., Inc. World Financial Center, North Tower 250 Vesey Street New York, NY 10381	7,682,102(5)	6.7%
BlackRock, Inc. 40 East 52nd Street New York, NY 10022	6,968,033(6)	6.1%
Directors and Executive Officers:		
Mark Canepa	350,916(7)	*
Michael Palu	101,931(8)	*
Herb Schneider	1,972,247	1.7%
Alexander J. Gray	1,003,590(9)	*
Frank C. Carlucci		*
Karen Rogge		*
Helmut Wilke		*
Gordon Stitt	4,167,533(10)	3.6%
Charles Carinalli	564,216(11)	*
Kenneth Levy	565,071(12)	*
Bob L. Corey	115,000(13)	*
Harry Silverglide	116,405(14)	*
W. Michael West	441,666(15)	*
William Slakey	9,638	*
All Executive Officers and Directors as a Group	9,408,213(16)	8.0%

* 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 such person within 60 days upon the exercise of options. Except as otherwise noted, options granted under the original 1996 Stock Option Plan and the 2005 Equity Incentive Plan are immediately exercisable, subject to our right to repurchase unvested shares upon

termination of employment at a price equal to the option exercise price. In general, new hire grants vest over

Table of Contents

- a four year period, with twenty-five percent of the shares subject to the option vesting one year from the date of grant, 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 114,698,030 shares of common stock outstanding as of September 30, 2007, provided that any additional shares of common stock that a stockholder has the right to acquire within 60 days after September 30, 2007 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.
 - (4) According to the Schedule 13G/A filed by the stockholder with the SEC on February 9, 2007, Wells Fargo & Company beneficially owned 8,662,239 shares, had sole dispositive power over 8,640,324 shares, and sole voting power over 8,261,839 shares.
 - (5) According to the Schedule 13G filed by the stockholder with the SEC on February 8, 2007, Merrill Lynch & Co., Inc. beneficially owned 7,682,102 shares, had sole dispositive power over no shares, and sole voting power over no shares.
 - (6) According to the Schedule 13G filed by the stockholder with the SEC on February 14, 2007, BlackRock, Inc. beneficially owned 6,968,033 shares, had sole dispositive power over no shares, and sole voting power over no shares.
 - (7) Includes 247,916 shares that are subject to stock options that may be exercised within 60 days of September 30, 2007.
 - (8) Includes 79,687 shares that are subject to stock options that may be exercised within 60 days of September 30, 2007.
 - (9) Includes 906,250 shares that are subject to stock options that may be exercised within 60 days of September 30, 2007.
 - (10) Includes 505,000 shares that are subject to stock options that may be exercised within 60 days of September 30, 2007.
 - (11) 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 365,000 shares that are subject to stock options that may be exercised within 60 days of September 30, 2007.
 - (12) 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 220,000 shares that are subject to stock options that may be exercised within 60 days of September 30, 2005.
 - (13) Includes 110,000 shares that are subject to stock options that may be exercised within 60 days of September 30, 2007.
 - (14) Includes 110,000 shares that are subject to stock options that may be exercised within 60 days of September 30, 2007.
 - (15) Includes 10,000 shares held by the West Revocable Trust 1991. Includes 426,666 shares that are subject to stock options that may be exercised within 60 days of September 30, 2007.
 - (16) Includes 2,970,519 shares that are subject to stock options that may be exercised within 60 days of September 30, 2007.

Table of Contents

EXECUTIVE COMPENSATION AND OTHER MATTERS

Compensation Discussion and Analysis

Compensation Philosophy and Objectives

Extreme's 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 the Company's goals and 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, relevant applied experience and duration of time in the position, as well as individual and team performance.

What Our Compensation Program Is Designed to Reward

Our compensation program is designed to drive individual and team accountability for absolute and relative competitive performance of the Company. In addition, there are rewards for attainment of individual and functional objectives.

Named Executive Officers; Changes in Executive Leadership

This Executive Compensation section of our proxy statement presents compensation earned by our named executive officer (as defined by SEC rules), including certain individuals who were executive officers during only portions of the past fiscal year. For fiscal year 2007, our named executive officers and their respective titles were as follows:

Gordon Stitt, who served as our President and Chief Executive Officer until his retirement as of August 30, 2006, after which he became Chairman of our Board of Directors; he also remained with the Company as a regular employee until December 4, 2006 (the Former CEO);

Mark Canepa, who was appointed as our President and Chief Executive Officer as of August 30, 2006 (the Current CEO);

William R. Slakey, who served as our Senior Vice President and Chief Financial Officer until his resignation as of August 4, 2006 (the Former CFO);

Edgar Filing: EXTREME NETWORKS INC - Form DEF 14A

Michael J. Palu, who served as our Acting Chief Financial Officer from August 5, 2006 until April 2, 2007, and who announced his resignation from the Company on October 15, 2007, effective as of November 2, 2007 (the Acting CFO);

Karen M. Rogge, who was appointed as our Senior Vice President and Chief Financial Officer as of April 2, 2007 (the Current CFO);

Alexander Gray, our Senior Vice President and General Manager of Scalable Products, who was one of our three most highly compensated executive officers who was an executive officer as of the end of fiscal year 2007;

Herb Schneider, who served as our Senior Vice President, Research and Development until his resignation as of June 30, 2007, and who would have been one of our three most highly compensated executive officers, but for the fact that he was no longer serving as an executive officer as of the end of fiscal year 2007;

Frank Carlucci, who served as our Senior Vice President of Worldwide Sales until his resignation as of July 2, 2007 (although he initially notified the Company of his resignation on February 4, 2007, and from

Table of Contents

April 2, 2007 until the effectiveness of his resignation as of July 2, 2007, he was transitioned to an individual contributor role reporting to our Chief Executive Officer supporting sales strategy, customer transitions and other assignments as determined by the Chief Executive Officer), and who would have been one of our three most highly compensated executive officers, but for the fact that he was no longer serving as an executive officer as of the end of fiscal year 2007 (the Former SVP Sales); and

Helmut Wilke, who was appointed our Senior Vice President of Worldwide Sales as of April 2, 2007, and who was one of our three most highly compensated executive officers who was an executive officer as of the end of fiscal year 2007 (the Current SVP Sales).

Compensation for each of these named executive officers is described in detail below, including negotiated compensation arrangements in connection with (1) the appointment of certain of the newly-appointed executive officers and (2) the resignation or retirement of certain of these executive officers who are no longer with the Company.

Compensation Process, Peer Group Selection and Benchmarking

Compensation Process

Pursuant to its charter, the Compensation Committee of Extreme's Board of Directors has responsibility for, among other things, discharging the Board's responsibilities relating to compensation and benefits of the Company's 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 the Company's compensation philosophy. These responsibilities of the Compensation Committee apply to, among other officers, the named executive officers. The Compensation Committee is comprised of non-employee directors of the Company.

Our President and Chief Executive Officer 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 the President and Chief Executive Officer 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 named executive officers do not play a role in the Compensation Committee's deliberations regarding their own compensation determination, other than discussing individual performance objectives with the President and Chief Executive Officer. The President and Chief Executive Officer does not have the ability to call Compensation Committee meetings, but he can attend such meetings to the extent that there is no discussion of his own compensation determination.

Prior to the beginning of each fiscal year, the President and Chief Executive Officer develop the Company's overall corporate goals and strategic objectives, in consultation with the Compensation Committee. From those corporate goals, the President and Chief Executive Officer develops corporate performance metrics and matches them to corporate compensation targets, which metrics and targets are proposed to the Compensation Committee. The Compensation Committee then adopts or modifies such proposed corporate metrics and targets in consultation with the President and Chief Executive Officer. For fiscal year 2007, the corporate performance metrics approved by the Compensation Committee included revenue attainment and growth, operational profitability and employee satisfaction and retention as measured by the rate of undesirable attrition. For fiscal year 2008, the corporate performance metrics approved by the Compensation Committee included revenue attainment and growth, operational profitability and contributions to the achievement of Extreme's strategic goals for fiscal 2008 by such individual officer and the particular team(s) with which such officer provides services to Extreme. From these corporate metrics and targets, the Compensation Committee, after discussion with the President and Chief Executive Officer, develops performance objectives and goals for the executive team collectively as well as on an individual basis.

Table of Contents

The President and Chief Executive Officer and the Vice President of Human Resources also review the competitive compensation for all executive positions, including the named executive officers (except for the President and Chief Executive Officer), with the Compensation Committee. This review includes proposals to the Compensation Committee by the President and Chief Executive Officer and the Vice President of Human Resources for adjustments to base salaries, bonus targets, equity compensation or any other extraordinary bonuses of the named executive officers. The Compensation Committee then independently considers such proposals and adopts or modifies them. For more information about this review of competitive compensation, see *Peer Group Selection and Benchmarking; Compensation Consultant*, below.

Our President and Chief Executive Officer then makes quantitative assessments of each named executive officer's performance for the past fiscal year based upon such officer's individual and team business goals and objectives, and makes qualitative assessments of each named executive officer's performance for the past fiscal year based upon factors including technical and vocational competence, on-time delivery of programs, recruitment, retention and team development. The President and Chief Executive Officer then makes specific recommendations to the Compensation Committee for additional adjustments of base salary, target bonus, other cash incentives and equity awards, if appropriate. The Compensation Committee then considers such proposals and adopts or modifies them. In addition, the Compensation Committee similarly assesses the performance of the President and Chief Executive Officer, based on similar quantitative and qualitative assessments, and determines his base salary, target bonus, other cash incentives and equity awards. The President and Chief Executive Officer is not present at the time the Compensation Committee reviews his performance and discusses his compensation.

Peer Group Selection and Benchmarking; Compensation Consultant

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 named executive officers between the 50th and 75th percentile, depending on the specific position, of the compensation of similarly-situated executives in comparable companies in our industry with whom Extreme directly competes in our hiring and retention of executives. In order to determine the base salary and total compensation of similarly-situated executives in comparable companies in our industry for fiscal years 2007 and 2008, the Compensation Committee utilized the Radford Benchmark Survey data for executive positions in the networking industry and for companies in the \$200 million – \$800 million annual revenue range, which is comparable to the current stage of Extreme's business. The Radford Benchmark Surveys were delivered to the Compensation Committee for review in June 2006 and July 2007, respectively.

For the Compensation Committee's deliberations of fiscal year 2007 executive compensation, the Compensation Committee reviewed a Radford Benchmark Survey with a benchmark group comprised of the following companies:

3Com Corporation

Adaptec, Inc.

Brocade Communications Systems, Inc.

Cisco Systems Inc.

F5 Networks, Inc.

Foundry Networks, Inc.

Harmonic Inc.

Juniper Networks, Inc.

NETGEAR, Inc.

Network Appliance, Inc.

Table of Contents

Network Equipment Technologies, Inc.

Nortel Networks Corporation

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 Benchmark Surveys included compensation data for the 25th, 50th and 75th percentile of the applicable benchmark group in each year, but did not include intermediary data for any specific percentile below the 25th percentile, between the 25th and the 50th percentile, between the 50th and the 75th percentile, nor above the 75th percentile.

For fiscal year 2007, the Company's human resources department engaged the executive compensation firm, Aon/Radford, for consultations regarding Board of Directors and committee compensation, the structure and competitiveness of the Company's CEO compensation, the development of a change-of-control severance policy and the delivery of the Radford Benchmark Survey Data described above. The Company's human resources department facilitated communications between the Compensation Committee and Aon/Radford. Other than this limited consultation with Aon/Radford, the Compensation Committee did not engage any outside professional compensation consulting firm with respect to the determination of executive compensation, benchmarks or peer group selection for fiscal year 2007. For fiscal year 2008, the Compensation Committee, through an initial introduction by the Company's human resources department, engaged Aon/Radford to conduct a comprehensive

Table of Contents

review of our executive compensation philosophy, strategies and practices, and to advise the Compensation Committee regarding the results of its review. Aon/Radford first reviewed our compensation philosophy and guiding principles, proposed a comparative framework which defined specific peer companies and data sources (including specific peer company proxy filings and the Radford Executive Survey Select Group of companies in the \$200 million – \$800 million revenue range) and a pay positioning guideline to assess the pay levels and pay mix of Extreme’s executives in the Company’s Executive Incentive Program (described below). Aon/Radford then interviewed each member of the Compensation Committee and the President and Chief Executive Officer for insight into the key strategic goals and objectives of the Company and the executive team in fiscal year 2008. Aon/Radford then proposed adjustments to each individual executive’s proposed compensation above or below the Company’s stated philosophy based on the experience of each individual executive, the scope of the individual executive’s position and the executive’s tenure and performance in his or her role. From the results of that assessment and insight into the competitive practices of companies in Extreme’s industry and with a comparable maturity of business, Aon/Radford proposed an incentive framework and compensation plan for fiscal year 2008 for all executives, including the named executive officers. Aon/Radford then presented to the President and Chief Executive Officer the final report of its analysis and recommendations for the compensation of Extreme’s executives other than the President and Chief Executive Officer. After review by the President and Chief Executive Officer, Aon/Radford inserted its analysis and recommendations for the compensation of the President and Chief Executive Officer into the report, and delivered it to, and discussed it with, the Compensation Committee. The Compensation Committee reviewed and considered the Aon/Radford report when determining the level of compensation for each named executive officer for fiscal year 2008, including certain base salary changes, bonus targets, other cash incentives and equity awards.

The Company paid the fees charged by Aon/Radford for (a) its engagement by the Company’s human resources department with respect to its services related to fiscal year 2007 compensation and (b) its engagement by the Compensation Committee with respect to its services related to fiscal year 2008 compensation.

Compensation Program Elements and How Each Element is Chosen

Our executive compensation program generally consists of (1) base salary, (2) annual cash incentives, (3) equity incentives, (4) change in control and severance benefits and (5) employee benefits programs. 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. The elements of our compensation program each are intended to attract diverse and critical skill sets, to motivate performance aligned with short- and long-term business goals and objectives and, finally, to retain key performers.

The Compensation Committee does not maintain a specific target allocation between cash incentives, option awards and other benefits. In determining such allocation on an ongoing basis, the Compensation Committee considers the allocations within compensation programs of networking companies generally and comparable companies (see *Peer Group Selection and Benchmarking; Compensation Consultant*, above).

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, initial base salary generally is negotiated between such officer and the Company. Generally, such negotiations are conducted by our President and Chief Executive Officer on behalf of the Company. The Compensation Committee or the Board of Directors generally consults with our President and Chief Executive Officer on such negotiations and approves a competitive range for such negotiated base salaries for newly-hired named executive officers. The Compensation Committee, or individual members thereof upon authority delegated by the Compensation Committee, are responsible for negotiating the initial base salary for any

Edgar Filing: EXTREME NETWORKS INC - Form DEF 14A

newly-hired President and Chief Executive Officer. Historically, the Compensation Committee has attempted to negotiate base salaries for any newly-hired President and Chief Executive Officer

Table of Contents

and other named executive officers between the 50th and 75th percentile, depending on the specific position, of the base salaries of similarly-situated executives in comparable companies in our industry with whom Extreme directly competes in our hiring and retention of executives (see *Peer Group Selection and Benchmarking; Compensation Consultant*, above). In addition, the Compensation Committee often adjusts such initial base salaries as deemed appropriate to attract specific candidates based on their experience, knowledge, skills and education and the Company's needs.

Each fiscal year, the Compensation Committee, in consultation with the President and Chief Executive Officer and the Vice President of Human Resources, reviews the base salaries of the named executive officers and determines whether any changes are