

LABATON KELLER SUCHAROW LLP

Lauren A. Ormsbee (*pro hac vice*)
David Saldamando (*pro hac vice*)
Danielle S. Lazarus (*pro hac vice*)
Alexandra E. Forgione (*pro hac vice*)
140 Broadway
New York, NY 10005
Tel: (212) 907-0700
Fax: (212) 818-0477
lormsbee@labaton.com
dsaldamando@labaton.com
dlazarus@labaton.com
aforgione@labaton.com

HAGENS BERMAN SOBOL SHAPIRO LLP

Lucas E. Gilmore (Bar No. 250893)
Reed R. Kathrein (Bar. No. 139304)
715 Hearst Avenue, Suite 300
Berkeley, CA 94710
Tel: (510) 725-3000
Fax: (510) 725-3001
lucasg@hbsslaw.com
reed@hbsslaw.com

Liaison Counsel for the Class

*Counsel for Lead Plaintiffs and
Lead Counsel for the Class*

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION**

STEAMFITTERS LOCAL 449 PENSION
& RETIREMENT SECURITY FUNDS, on
Behalf of Itself and All Others Similarly
Situated,

Plaintiffs,

v.

EXTREME NETWORKS, INC.,
EDWARD B. MEYERCORD III, RÉMI
THOMAS, CRISTINA TATE, KEVIN
RHODES, NORMAN RICE, JONAS
BROWN

Defendants.

Case No. 3:24-cv-05102-TLT

CLASS ACTION

**SECOND AMENDED CONSOLIDATED
COMPLAINT FOR VIOLATIONS OF THE
FEDERAL SECURITIES LAWS**

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GLOSSARY OF CERTAIN DEFINED TERMS

Americas	Extreme’s Americas Sales Region.
APAC	Extreme’s Asia Pacific Sales Region.
Backlog	Defined by Extreme as “confirmed orders with a purchase order for products to be fulfilled and billed to customers with approved credit status.”
Brown or JB	Defendant Jonas Brown, Extreme’s Senior Director of Worldwide Distribution Sales and Strategy at Extreme (<i>i.e.</i> , “Global Distribution”) beginning in June 2018 and continuing throughout the Class Period.
Bukhari	Extreme’s Chief Technology Officer Nabil Bukhari, direct supervisor of FE-7 and member of the ELT.
CCO	Chief Commercial Officer.
CEO	Chief Executive Officer.
CFO	Chief Financial Officer.
CIO	Chief Information Officer.
Clari Database	Extreme’s revenue orchestration and organization platform.
Class Period	The period from July 27, 2022 through January 30, 2024, inclusive.
Company or Extreme	Extreme Networks, Inc.
COO	Chief Operating Officer.
CRO	Chief Revenue Officer.
CTO	Chief Technology Officer.
Defendants	Extreme and the Individual Defendants.
EIP	Extreme Incentive Plan.
ELT	Extreme’s Executive Leadership Team. Class Period members included Extreme’s CEO, Defendant Meyercord; CFOs, Defendants Thomas, Tate and Rhodes during their respective tenures; COO Rice; Vitalone and Bukhari.
EMEA	Extreme’s Europe, Middle East, and Africa Sales Region.
FEs	Extreme’s former employees who are referenced and discussed in the Second Amended Complaint.

<p>1 FE-1</p> <p>2</p> <p>3</p> <p>4</p> <p>5</p> <p>6</p>	<p>FE-1 was a Senior Distribution Account Manager at Extreme from May 2016 through August 2022 and has been in the distribution business for over thirty years. At Extreme, FE-1 managed the Company’s relationship with TD Synnex. FE-1 reported to the Director of Distribution in the Americas, Joseph Uraco, who in turn, reported to Defendant Brown. FE-1 worked with Defendant Brown on a daily basis.</p> <p>Allegations attributable to FE-1: ¶¶1, 45, 99-113, 115-23, 137, 140, 147-56, 164, 165, 168-77, 179-87, 312, 314, 328, 345, 347-50, 492, 498, 504, 516, 519, 533-35, 548, 608-10, 612.</p>
<p>7 FE-2</p> <p>8</p> <p>9</p> <p>10</p> <p>11</p> <p>12</p>	<p>FE-2 was the Director of Sales from before the Class Period to mid-2023. Thereafter, FE-2 was an Account Executive until the end of his tenure at Extreme. As Director of Sales, FE-2 reported to David Savage, who in turn reported to SVP Sales, Americas, Pete Brant, who in turn reported to Defendant Rice. In his capacity as Director of Sales, FE-2 was responsible for collaborating with end users SLED accounts, including universities, and the channel partners that sold to them, as well as working with Extreme’s relevant distributors.</p> <p>Allegations attributable to FE-2: ¶¶46, 143, 190-204, 207-25, 230-35, 237, 239, 315, 518, 585-91.</p>
<p>13 FE-3</p> <p>14</p> <p>15</p> <p>16</p>	<p>FE-3 was a Senior-level Manager of Pricing at Extreme from before the Class Period to the second half of 2023. FE-3’s responsibilities included executing the rollout of pricing and signing off on deals. FE-3 reported into the Finance leadership of Defendant Tate, who reported to the CFO.</p> <p>Allegations attributable to FE-3: ¶¶27, 141-42, 301-11.</p>
<p>17 FE-4</p> <p>18</p> <p>19</p> <p>20</p>	<p>FE-4 was employed by Extreme until December 2022, most recently serving as Senior Regional Distribution Manager operating out of Europe. FE-4 worked directly with distributor Westcon during his employment with Extreme.</p> <p>Allegations attributable to FE-4: ¶¶48, 125-36, 138, 157, 158, 166, 494-95.</p>
<p>21 FE-5</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p> <p>26</p> <p>27</p>	<p>FE-5 was formerly employed by Extreme as Senior Channel Account Manager from March 2022 to April 2024. FE-5’s responsibilities included collaborating with Extreme’s two largest nationwide channel partners. FE-5 reported to Channel Sales Manager – Strategic Partnerships, Matthew Kilianski, and then Director, Global Solution Partnerships – Americas, Amy Bravo, and lastly Director – Strategic Partnerships, Cameron Marchand. According to FE-5, Kilianski, Bravo, and Marchand reported to Vice President, Americas Channel, Jennifer Orr, who ultimately reported to Defendant Meyercord.</p> <p>Allegations attributable to FE-5: ¶¶49, 191, 235-36, 241-47, 251-55, 316-19, 521, 524, 529-31.</p>

FE-6	<p>FE-6 was a Senior Account Manager at Extreme from July 2017 to October 2022. During different points during his tenure at Extreme, FE-6 reported to either David Savage or to FE-2. FE-6 worked as part of the SLED department and except for the K-12 segment of SLED, he worked with distributors and partners throughout his tenure.</p> <p>Allegations attributable to FE-6: ¶¶50, 107, 143-45, 166, 204-06.</p>
FE-7	<p>FE-7 was the former President of a company acquired by Extreme in 2021. FE-7 began working for Extreme in July or August 2021, before officially signing on as an Extreme employee in March 2022. FE-7 was employed as the SVP, Strategy, Office of the CTO from March 2022 until March 2023. FE-7 reported Bukhari. FE-7 was tasked with analyzing several aspects of Extreme’s business, including examining the pricing strategy for Extreme’s entire product portfolio. From Summer 2021 through his resignation in March 2023, FE-7 attended monthly and quarterly ELT meetings.</p> <p>Allegations attributable to FE-7: ¶¶51, 73, 159-60, 272-300, 536-41, 601, 603-07.</p>
FE-8	<p>FE-8 was employed by Extreme as SVP Global Channel Sales from January 2022 to November 2023. The Distribution teams reported to FE-8. FE-8 attended “Revenue Assurance” calls led by Defendant Rice, where the Company’s backlog was discussed.</p> <p>Allegations attributable to FE-8: ¶¶52, 235, 320-27, 542-47.</p>
FE-9	<p>FE-9 was employed by Extreme as a Channel Account Manager starting before the Class Period, until late 2023. According to FE-9, he was part of a team of employees managing the account and relationship with one of Extreme’s largest resellers / partners during the Class Period.</p> <p>Allegations attributable to FE-9: ¶¶53, 239-40.</p>
FE-10	<p>FE-10 was employed by Extreme as a Senior Account Executive from after July 2023 until April 2024 and was responsible for accounts in North America.</p> <p>Allegations attributable to FE-10: ¶¶54, 144, 256-68, 592-95.</p>
FE-11	<p>FE-11 was employed by Extreme as an Account Manager from Fall 2022 through the end of the Class Period in the EMEA region. FE-11 was responsible for ensuring that partner accounts were set up correctly and received the correct discounts from Extreme’s distributors, ensuring there were no conflicts with end users, and working closely with team members in EMEA who worked directly with the partner accounts.</p> <p>Allegations attributable to FE-11: ¶¶55, 138, 226-28.</p>

1	FIFO	First-In, First-Out backlog fulfillment, described by FE-1, whereby prior to the start of the Class Period, backlog orders were fulfilled and shipped in the order in which they were placed.
2		
3	FY	Extreme's fiscal years, including: <ul style="list-style-type: none"> • FY2022 (July 1, 2021 to June 30, 2022); • FY2023 (July 1, 2022 to June 30, 2023); and • FY2024 (July 1, 2023 to June 30, 2024)
4		
5	Individual Defendants	Defendants Meyercord, Thomas, Tate, Rhodes, Rice, Brown.
6		
7	Jenne	Jenne Inc., one of Extreme's four largest distributors.
8	Lead Plaintiffs or Plaintiffs	Oklahoma Firefighters Pension and Retirement System ("Oklahoma Fire"); Oklahoma Police Pension and Retirement System ("Oklahoma Police"); Oakland County Employees' Retirement System ("Oakland County ERS"); and Oakland County Voluntary Employees' Beneficiary Association ("Oakland County VEBA").
9		
10	Meyercord	Defendant Edward B. Meyercord III, CEO of Extreme for all relevant times, and member of the ELT.
11		
12	PO	Purchase Order.
13	Revenue Assurance Calls	Calls led by Defendant Rice, and attended by Defendant Brown, where backlog and backlog hedge were discussed. These calls were a "quarterly function" that became more frequent as the quarter progressed.
14		
15	Rhodes	Defendant Kevin Rhodes, the Executive VP and CFO of Extreme from May 30, 2023 through the end of the Class Period, and member of the ELT.
16		
17	Rice	Defendant Norman Rice, the COO at Extreme from September 2019 through the end of the Class Period, and member of the ELT.
18		
19	Salesforce Database	Extreme's enterprise and customer management system.
20		
21	Savage	David Savage, FE-2's supervisor, and Vice President of Sales and Senior Director of State, Local, and Education Sales ("SLED") for the United States.
22		
23	ScanSource	ScanSource, Inc., one of Extreme's four largest distributors.
24		
25	SEC	Securities and Exchange Commission.
26		
27	Section 10(b)	Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. § 78a et seq.
28		
	Section 20(a)	Section 20(a) of the Securities Exchange Act of 1934, 15 U.S.C. § 78a et seq.

1 2 3 4	SOX Certifications	Certifications pursuant to the Sarbanes Oxley Act of 2002 signed by Extreme's CEO and CFO, and which attest to the accuracy of the Company's financial reporting, the disclosure of any material changes to the Company's internal control over financial reporting, and the disclosure of all fraud.
5 6	Tate	Defendant Christina Tate, the Interim CFO of Extreme from February 16, 2023 to May 30, 2023, and a member of the ELT while CFO, as well as Senior Vice President and Head of Financial Planning & Analysis ("FP&A") throughout the Class Period.
7	TD Synnex	TD Synnex Corporation, one of Extreme's four largest distributors.
8 9	Thomas	Defendant Rémi Thomas, CFO of Extreme from November 2018 to February 2023, and member of the ELT.
10 11	Uraco	Joseph Uraco, Director of Distribution Sales Americas, and FE-1's direct supervisor.
12 13	Vitalone	Joseph Vitalone, Extreme's Chief Revenue Officer from June 2020 to January 2024, and member of the ELT.
14	Westcon	Westcon Group, Inc., one of Extreme's four largest distributors.

1 Lead Plaintiffs Oklahoma Firefighters Pension and Retirement System (“Oklahoma Fire”),
2 Oklahoma Police Pension and Retirement System (“Oklahoma Police”), Oakland County Voluntary
3 Employees’ Beneficiary Association (“Oakland County VEBA”), and Oakland County Employees’
4 Retirement System (“Oakland County ERS”) (collectively, “Lead Plaintiffs”), by their undersigned
5 counsel (“Lead Counsel”), bring this action for violations of Sections 10(b) and 20(a) of the Securities
6 Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. §§ 78j(b) and 78t(a), and Securities and
7 Exchange Commission (“SEC”) Rule 10b-5, 17 C.F.R. § 240.10b-5, against Defendant Extreme
8 Networks, Inc. (“Extreme” or the “Company), and numerous of its key officers and high-level
9 executives: Extreme’s (i) CEO Defendant Edward B. Meyercord III (“Meyercord”); (ii) CFOs
10 Defendants Rémi Thomas (“Thomas”) (CFO until February 2023), Christina Tate (“Tate”) (CFO
11 from February 2023 to May 2023), and Kevin Rhodes (“Rhodes”) (CFO from May 2023 through the
12 end of the Class Period); (iii) COO Defendant Norman Rice (“Rice”); and (iv) Senior Director of
13 Worldwide Distribution Sales and Strategy, Defendant Jonas Brown (“Brown”) (collectively, the
14 “Individual Defendants”). Lead Plaintiffs bring these claims on behalf of themselves and all other
15 persons and entities who or which purchased or otherwise acquired the publicly traded common stock
16 of Extreme during the period from July 27, 2022 through January 30, 2024, inclusive (the “Class
17 Period”), and were damaged thereby (the “Class”).

18 Lead Plaintiffs allege the following based upon personal knowledge as to themselves and their
19 own acts, and upon information and belief as to all other matters. Lead Plaintiffs’ information and
20 belief is based on the ongoing investigation of Lead Counsel. This investigation includes review and
21 analysis of, among other things: (i) public filings made by Extreme with the SEC; (ii) transcripts of
22 the Company’s conference calls with analysts and investors; (iii) the Company’s presentations, press
23 releases, and other public statements; (iv) research reports issued by securities and financial analysts;
24 (v) news and media reports and other publicly available information concerning the Company and
25 Defendants (defined below); (vi) economic analyses of the movement and pricing of the Company’s
26 publicly traded securities; (vii) consultation with experts; (viii) interviews of former employees of the
27
28

1 Company (referred to herein as “FE-__”);¹ and (ix) handwritten notes, e-mails, and messages
 2 provided by and described by certain FEs to Lead Counsel. Lead Counsel’s investigation into the
 3 factual allegations continues, and many of the relevant facts are known only by Defendants or are
 4 exclusively within their custody or control. Lead Plaintiffs believe that additional evidentiary support
 5 will exist for the allegations set forth herein after a reasonable opportunity for discovery.

6 I. INTRODUCTION

7 A. Overview of the Fraud

8 1. For approximately a year and a half, Defendants perpetrated a two-pronged fraud that
 9 deceived investors about both the source and sustainability of Extreme’s revenue growth.

10 2. First, while telling investors that record revenues reflected “*exceptionally strong*,”
 11 “*robust*,” and “*unabated*” organic demand for Extreme’s networking equipment, Defendants secretly
 12 coerced distributors into buying hundreds of millions of dollars in unwanted inventory by leveraging
 13 distributors’ access to actually needed products, and accelerated revenues from partners by “pulling-
 14 in” sales from future quarters in order to achieve their revenue targets.

15 3. Second, while assuring investors that Extreme’s backlog—\$555 million at its peak—
 16 comprised “*firm*,” “*not cancelable*” orders that reflected “*end user demand*” and no “*double*
 17 “*ordering*,” with “*less than 1% cancellations*,” Defendants knew the backlog was contractually
 18 designed to be cancelled and was riddled with duplicate and triplicate orders that would assuredly
 19 evaporate to a material extent—with internal estimates ranging from 10% to 66% cancellation rates.

20 4. Together, these deceptions transformed Extreme into a Wall Street success as its stock
 21 climbed to a peak of \$32 per share during the Class Period, until the revelation of the true state of the
 22 backlog, overstuffed channel, and waning demand destroyed over \$2 billion in shareholder value
 23 when the stock closed at \$12.59 per share following the final corrective disclosure.

24 5. Attached hereto as **Appendix A** is a chart organizing all of the alleged false and
 25 misleading statements and omissions. Also attached hereto, as **Appendix B**, is a succinct timeline of
 26

27 _____
 28 ¹ In order to protect confidentiality, masculine (“he/him”) pronouns will be used to describe the former employees (“FE”) of Extreme throughout this Complaint, regardless of identity.

1 the alleged fraudulent scheme, which began just prior to the start of 4Q2022 (the period covering
2 April 2022 through June 2022) and was ultimately revealed to the market by the end of January 2024.

3 **B. The Channel Stuffing Fraud: Manufacturing “Demand”**

4 6. Throughout the Class Period, Defendants attributed Extreme’s revenue growth to
5 organic customer enthusiasm. “Demand for cloud-driven networking and for Extreme Solutions has
6 *never been stronger*,” CEO Meyercord proclaimed, claiming the Company achieved “*double-digit*
7 *growth*” due to “*strong demand*” even “in the current supply chain environment.” Throughout the
8 Class Period, Defendants Thomas, Tate, and Rhodes echoed these assurances of “*unabated*” and
9 “*exceptionally strong*” demand, “*solid execution*” and “*strong funnel of opportunities*.”

10 7. The truth was the opposite. Facing significant revenue shortfalls heading into the
11 fourth fiscal quarter 2022, Meyercord and the Executive Leadership Team (“ELT”) which included
12 Defendants Thomas and Rice as members at the time, discussed how to “*get into the company [the]*
13 *# the street expects*.” Weighing telling the market the truth about struggling demand versus deceit,
14 Defendants chose deceit and, on or about March 16, 2022, authorized a scheme to manufacture
15 demand.

16 8. According to contemporaneous notes recorded and maintained by FE-1 (the Senior
17 Distribution Manager responsible for the TD Synnex distributor account), Meyercord and the ELT
18 directed Defendant Brown to implement the scheme, and Brown consequently convened a call on the
19 morning of March 16, 2022, where he communicated the plan to senior distributor and supply chain
20 account executives. Brown described to the meeting attendees how Meyercord “*chose this path—*
21 *lesser of the 2 evils*” to “*blow up*” the Company’s “first-in, first-out” (“FIFO”) backlog allocation
22 system because the Company was “*running out of tricks in our bag*” to meet quarterly numbers.

23 9. The new system was effectively extortion: distributors desperate for in-demand
24 backlog products would be forced to buy massive quantities of unneeded and at times obsolete
25 inventory in exchange for priority shipments. If they refused, those distributors would have to watch
26 their competitors who “played ball” jump ahead in line. After TD Synnex at first refused to “play
27 ball” and take on \$40 million of unneeded inventory in March 2022, Extreme’s other top distributors
28

1 Jenne and Westcon absorbed that inventory to close the revenue gap and receive backlog priority
2 over TD Synnex.

3 10. In one specific transaction that closed in 4Q2022, the first quarter of the Class Period
4 that starts with the Company's 4Q2022 earnings release, top-three distributor Westcon was asked to
5 purchase **\$52 million** in “end of sale” junk-cables, brackets, and fans that “nobody wanted” in order
6 to receive \$50 million in backlogged products that Westcon's customers actually needed.

7 11. The scheme's scope was staggering. Extreme's four main distributors—controlling
8 well over 50% of company revenues—were transformed from business partners into unwilling
9 warehouses, with TD Synnex's inventory alone ballooning from 28 days to up to 100–200 days of
10 supply in a matter of months. As the scheme progressed, and these distributors attempted to return
11 unsaleable products, Defendants tried to prevent those returns from hitting Extreme's books.

12 12. Extreme's partners (smaller than distributors but integral to Extreme's success) were
13 similarly coerced. For example, at the close of fiscal year 2023, Extreme partner PC Solutions was
14 heavily, and successfully, pressured to take \$1.5 million of product for school districts without
15 customer orders. Another Extreme partner, Synergetics, was similarly pushed to take approximately
16 \$700,000 of product with no end user order, and an EMEA Extreme partner took receipt of
17 approximately \$500,000 in unneeded wireless access points. Defendants never disclosed this
18 coercion, instead telling investors that it was “exceptionally strong” and “unabated” demand driving
19 Extreme's steady drumbeat of increasing product revenues during the Class Period.

20 **C. The Backlog Fraud: Hiding Conditional Orders With Significant Cancellation**
21 **Risk**

22 13. While stuffing channels to create misleadingly organic and “robust” revenues,
23 Defendants perpetrated a parallel deception about what this “strong demand” meant for Extreme's
24 assured revenue growth. Defendants portrayed Extreme's ballooning backlog—first reported to
25 investors at the end of fiscal 2021 and which peaked at **\$555 million** in 1Q2023—as deferred revenue.
26 Defendants touted Extreme's “complete” and “excellent visibility” into the firmness of the backlog
27 orders. In early 2023, just as the Company reported its first dip in its backlog, Defendant Tate came
28 out and assured investors that the backlog reflected “*real projects that we see,*” was “*not cancelable,*”

1 and that Defendants “*don’t see double ordering*,” flatly characterizing “double ordering” as “*not a*
2 *phenomenon we see at all*. . . .” Incredibly, Defendants told investors that backlog cancellation risk
3 was just 1%.

4 14. In reality, Defendants knew Extreme’s backlog was not secure, and their depictions of
5 it as “not cancelable” and “firm” were illusory.

6 15. At a summer 2022 ELT meeting, Senior VP FE-7 (a regularly invited attendee at ELT
7 meetings who reported to ELT member Bukhari), was shocked to learn that Defendants internally
8 hedged that only 10% of its backlog would be cancelled. This 10% hedge alone reveals an intent to
9 deceive investors who were assured repeatedly not to expect more than a 1% cancellation rate. But
10 what alarmed FE-7 was that even a 10% hedge was “misleading” and “just not right.” FE-7 expressed
11 his concerns to the ELT immediately.

12 16. FE-7 was so bothered by Extreme’s paltry 10% cancellation hedge that he went out
13 and immediately conducted an “acid test” survey of industry CIOs who were responsible for ordering
14 the types of products sold by Extreme and its competitors to gauge whether it was standard industry
15 practice to place multiple simultaneous, conditional orders for essentially interchangeable products,
16 especially given supply chain pressures. FE-7’s acid test confirmed that customers routinely placed
17 duplicate orders with 2-3 competitors, meaning up to 66% of Extreme’s backlog consisted of
18 phantom orders that would vanish once competitors delivered first. The backlog purchase orders
19 themselves contained “first come, first serve” cancellation clauses, meaning that distributors and
20 partners were freely entitled to—and expected to—cancel backlog orders once they were fulfilled by
21 another manufacturer first. FE-7 presented the conclusions from his “acid test” to ELT member
22 Bukhari and asked him to relay his results to the other ELT members, which included Meyercord,
23 Thomas and Rice. Yet, nothing changed, and with respect to the backlog, Meyercord continued
24 assuring investors of “*complete visibility*” with “*negligible cancellations...less than 1% of*
25 *bookings*.”

26 **D. The Collapse of Both Frauds**

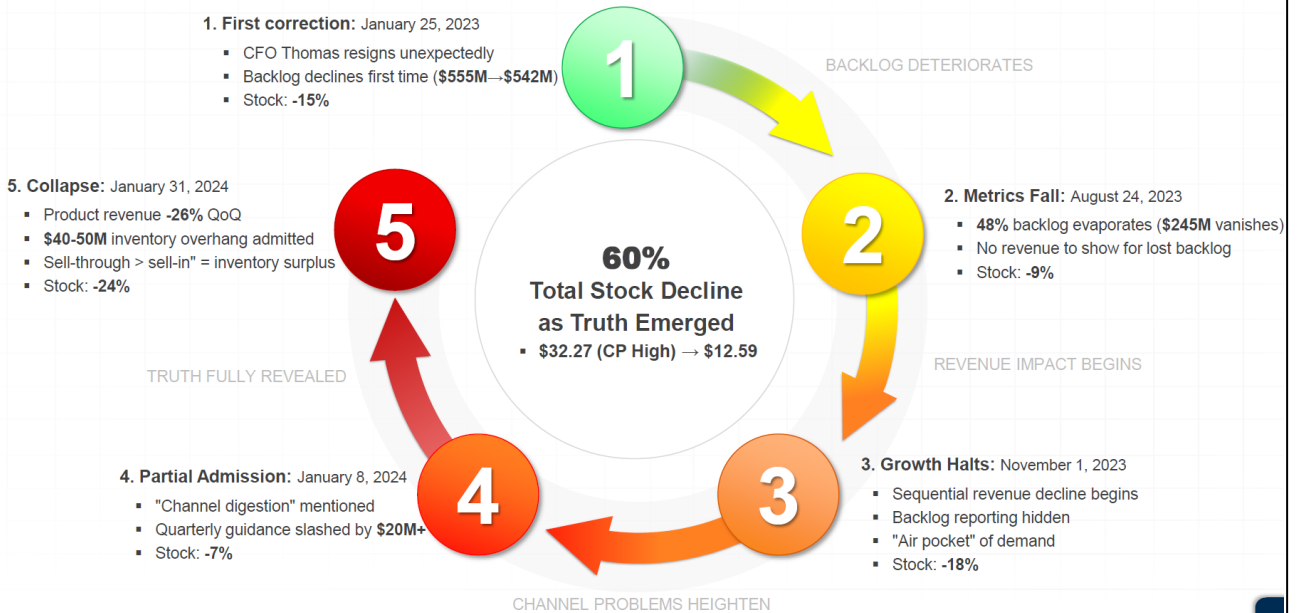
27 17. Ultimately, both unsustainable frauds unraveled. Distributors and partners revolted
28 against the extortionate channel stuffing and the impact of their returns of the unneeded product,

1 refusal to take on more unneeded product, and cancellation of backlog orders revealed the truth about
 2 Extreme’s declining demand and freely cancelable and conditional backlog.

3 18. After cracks in the backlog appeared in January 2023, the supposedly “firm” backlog
 4 crashed from a peak of \$555 million to \$267 million—a 48% collapse in August 2023. The math
 5 exposed the lie: when backlog fell \$170 million in one quarter, revenues grew just \$21 million—
 6 meaning \$149 million simply vanished, proving the orders were never real.

7 19. On January 31, 2024, Defendants finally admitted the truth about both frauds. They
 8 revealed that “distributors and partners have lowered inventory purchases” (the channel stuffing had
 9 stopped) and needed to digest “\$40-50 million in channel inventory” (the warehouses were stuffed
 10 with unwanted products). They admitted demand would be “masked by inventory flowing out of the
 11 channel” (fake revenues were being exposed) and that backlog had “normalized earlier than
 12 anticipated” (the phantom orders had evaporated).

13 20. As the truth was revealed, Extreme’s stock crashed over 60%, from a Class Period
 14 high of \$32 per share to the end of Class Period low of \$12.59 per share.



25 21. Accordingly, the pension funds and other investors who purchased Extreme stock in a
 26 market that relied on Defendants’ twin lies about “strong demand” and “firm backlog” in setting
 27 Extreme’s stock price were financially devastated, suffering significant harm once the value of their
 28 shares collapsed.

1 **E. Procedural History Of This Action**

2 22. On December 30, 2024, the Court appointed Oklahoma Police, Oklahoma Fire,
3 Oakland County VEBA and Oakland County ERS as Lead Plaintiffs and Labaton Keller Sucharow
4 as Lead Counsel (ECF No. 51). On February 14, 2025, Lead Plaintiffs filed an Amended
5 Consolidated Complaint for Violations of the Federal Securities Laws (“Amended Complaint”) (ECF
6 No. 59). On April 15, 2025, Defendants filed a Motion to Dismiss the Amended Complaint (ECF No.
7 74), which Lead Plaintiffs opposed (ECF No. 81). On August 15, 2025, after oral argument held on
8 August 12, 2025, the Court granted the motion to dismiss with leave to amend by September 9, 2025
9 (ECF No. 92) (the “Order”).

10 23. In the Order, the Court addressed whether the Amended Complaint adequately alleged
11 the falsity of the challenged false and misleading statements and omissions. While the Court
12 determined that the Amended Complaint’s allegations “regarding manipulative sales practices are
13 close to sufficient” to establish falsity and identified certain allegations it found “to be sufficiently
14 particularized,” the Court noted that “[m]ore particularized allegations regarding specific dates,
15 specific communications, and specific transactions are required,” “the timeline of allegations needs
16 to be stated clearer,” and “[a]dditional corroborating details from FEs of distributors would also
17 strengthen the allegations.” *Id.* at 19. The Court also stated: “If Plaintiffs are able to provide more
18 particularized allegations regarding manipulative sales practices toward Defendants’ largest
19 distributors, then their allegations will be sufficient to allege that these practices affected revenue.”
20 *Id.* With respect to the allegations concerning the falsity of the alleged backlog misrepresentations,
21 the Court indicated that “Plaintiffs’ allegations are close to sufficient but need more specific details
22 to corroborate the practices that were omitted.” *Id.* at 20. The Court specifically identified the
23 relevance of FE-7’s allegations but noted that while “FE-7’s pre-Class Period allegations are reliable
24 to provide what Defendants knew during the Class Period [they] must be stated with greater
25 particularity.” *Id.*

26 24. Lead Plaintiffs respectfully submit that the wealth of additional information contained
27 in the Second Amended Complaint addresses and far exceeds the types of additional allegations the
28 Court discussed in the Order. Specifically, FE-1, FE-2, FE-4, FE-7 and FE-11 provide compelling

1 additional testimony and documentary evidence that provides the “particularized allegations
2 regarding specific dates, specific communications, and specific transactions,” including specific
3 channel stuffing transactions rushed in at the end of each fiscal year within the Class Period, one of
4 which was for a whopping \$102 million. These allegations “provide more particularized allegations
5 regarding manipulative sales practices toward Defendants’ largest distributors,” which the Court
6 noted would be “sufficient to allege that these practices affected revenue.”

7 25. This new information also enables Lead Plaintiffs to present a remarkably precise
8 “timeline of allegations” that (a) pinpoints the launch of the manipulative scheme to stuff the channel,
9 which was initiated, approved, and implemented by the Individual Defendants, to the morning of
10 March 16, 2022; and (b) clarifies that FE-7, a senior level executive with decades of relevant
11 experience and who attended and participated in ELT meetings with Defendants Meyercord, Thomas,
12 and Rice, informed Defendants at the start of the Class Period that Extreme’s backlog practices were
13 “misleading” because up to two thirds of the over \$500 million reported backlog was at likely risk of
14 cancellation, only to be ignored. The new information also provides “[a]dditional corroborating
15 details” from distributors in the form of discussions between FE-1 and FE-4, on the one hand, and
16 representatives of distributors, on the other hand, where those distributors recounted how (a)
17 Extreme’s manipulative sales practices continued throughout the Class Period (after FE-1 and FE-4
18 departed) and (b) how distributors stopped acquiescing to Extreme’s demands in 2023, leading to the
19 disclosures alleged herein.

20 26. The Court also ordered that Lead Plaintiffs “organize all challenged statements into an
21 appendix” and provide “a timeline of the allegations,” which are attached hereto as **Appendix A** and
22 **Appendix B**. Order at 23.

23 27. The additional allegations contained in the Second Amended Complaint, including
24 specifically those highlighted above, together with the previously alleged facts, unequivocally and
25 overwhelmingly demonstrate, with the requisite particularity, Defendants’ violations of Sections
26 10(b) and 20(a) of the Exchange Act, and Rule 10b-5(a), (b) and (c), promulgated thereunder.

1 **II. JURISDICTION AND VENUE**

2 28. The claims asserted herein arise under §§ 10(b) and 20(a) of the Exchange Act, 15
3 U.S.C. §§ 78j(b), and SEC Rule 10b-5 promulgated thereunder, 17 C.F.R. § 240.10b-5.

4 29. The Court has jurisdiction over the subject matter of this Action pursuant to 28 U.S.C.
5 § 1331 and § 27 of the Exchange Act, 15 U.S.C. § 78aa.

6 30. Venue is proper in this District pursuant to 28 U.S.C. § 1391(b) and § 27 of the
7 Exchange Act, 15 U.S.C. § 78aa, because Extreme transacts substantial business and has corporate
8 offices in California, including in this District. Extreme’s stock trades on the Nasdaq Global Select
9 Market (“NASDAQ”) under the ticker symbol “EXTR.” In connection with the acts alleged in this
10 Second Amended Complaint, Defendants, directly or indirectly, used the means and instrumentalities
11 of interstate commerce, including, but not limited to, the mails, interstate telephone communications,
12 and the facilities of the national securities markets.

13 **III. THE PARTIES**

14 **A. Lead Plaintiffs**

15 31. Lead Plaintiff Oklahoma Fire is a multiple-employer, cost-sharing public employee
16 retirement plan that covers 473 cities, 28 fire protection districts, and 135 county fire departments as
17 of June 30, 2024. Oklahoma Fire had \$3.4 billion in assets under management as of June 30, 2024.
18 As set forth in the certifications submitted with its motion for appointment of Lead Plaintiff, (*see*
19 ECF No. 23-2), incorporated by reference herein, Oklahoma Fire purchased Extreme common stock
20 during the Class Period.

21 32. Lead Plaintiff Oklahoma Police is a benefit pension fund that provides retirement and
22 related benefits for qualified police officers and their beneficiaries in the state of Oklahoma, with
23 more than 5,046 active members, 3,309 retirees, 1,001 beneficiaries, and 174 disabled members as of
24 June 30, 2024. Oklahoma Police had over \$3.2 billion in assets under management as of June 30,
25 2024. As set forth in the certifications submitted with its motion for appointment of Lead Plaintiff,
26 (*see* ECF No. 23-2), incorporated by reference herein, Oklahoma Police purchased Extreme common
27 stock during the Class Period.

1 33. Lead Plaintiff Oakland County VEBA provides healthcare benefits for retired
2 employees of Oakland County, Michigan and their spouses and eligible dependents. As set forth in
3 the certification submitted with its motion for appointment of Lead Plaintiff, (*see* ECF No. 23-2),
4 incorporated by reference herein, Oakland County VEBA purchased Extreme common stock during
5 the Class Period.

6 34. Lead Plaintiff Oakland County ERS provides pension benefits to retired employees of
7 the Oakland County, Michigan retirement system, and their designated beneficiaries. As set forth in
8 the certification submitted with its motion for appointment of Lead Plaintiff, (*see* ECF No. 23-2),
9 incorporated by reference herein, Oakland County ERS purchased Extreme common stock during the
10 Class Period.

11 **B. Defendants**

12 35. Defendant Extreme is a public corporation incorporated in the state of Delaware.
13 Founded in 1996, Extreme first incorporated in California in May 1996 and shipped its first products
14 in 1997. The Company reincorporated in Delaware in March 1999 and went public in April 1999.
15 Throughout the Class Period, Extreme common stock traded actively on the NASDAQ under the
16 ticker symbol “EXTR.” During the Class Period, there were approximately 130 million shares of
17 Extreme common stock outstanding.

18 36. Defendant Edward B. Meyercord III (“Meyercord”) has served as President and Chief
19 Executive Officer (“CEO”) of Extreme since April 2015 and throughout the Class Period. Prior to
20 serving as President and CEO, Meyercord joined Extreme’s Board as an independent director in
21 October 2009 and served as Chairman of the Board from March 2011 through August 2015.

22 37. Defendant Rémi Thomas (“Thomas”) served as Chief Financial Officer (“CFO”) of
23 Extreme from November 2018 to February 2023.

24 38. Defendant Cristina Tate (“Tate”) served as Interim CFO of Extreme from February
25 16, 2023 to May 30, 2023. During the entirety of the Class Period, Tate served as Senior Vice
26 President and Head of Financial Planning & Analysis (“FP&A”).

27 39. Defendant Kevin Rhodes (“Rhodes”) served as Executive Vice President and CFO of
28 Extreme from May 30, 2023 through the end of the Class Period.

1 40. Defendant Norman Rice (“Rice”) was the Chief Operating Officer (“COO”) at
2 Extreme from September 2019 to February 2024. Amongst his duties, Defendant Rice led the
3 Company’s Global Supply Chain Management and Operations. On January 8, 2024, Extreme
4 announced through a press release that Defendant Rice would be appointed as Chief Commercial
5 Officer (“CCO”), which is his current title.

6 41. Defendant Jonas Brown (“Brown”) is the Senior Director of Worldwide Distribution
7 Sales and Strategy at Extreme (*i.e.*, “Global Distribution”), and was in that position since June 2018
8 and throughout the Class Period. According to former employees, Defendant Brown reported directly
9 to the C-Suite through Defendant Rice.

10 42. Defendants Meyercord, Thomas, Tate, Rhodes, Rice, and Brown are collectively
11 referred to herein as the “Individual Defendants.” These Individual Defendants participated in the
12 management of Extreme, had direct and supervisory involvement in Extreme’s day-to-day
13 operations, and had the ability to control and did control Extreme’s statements to investors. They
14 were involved in drafting, reviewing, publishing, and/or making the Company’s statements to
15 investors, including the false and misleading statements and omissions alleged herein. Further, as
16 discussed herein, Defendants Rice and Brown were aware that their undisclosed conduct would lead
17 to false and misleading statements made by Defendants Extreme, Meyercord, Thomas, Tate, and
18 Rhodes.²

19 43. Extreme and the Individual Defendants are collectively referred to herein as
20 “Defendants.”

21 **C. Relevant Third Parties**

22 44. Joe Vitalone (“Vitalone”) was Extreme’s Chief Revenue Officer (“CRO”) from June
23 2020 to January 2024. According to Extreme’s website, Vitalone oversaw global sales, services,
24

25 ² Indeed, during the Class Period, Defendant Rice spoke to investors in investor conferences,
26 including, for example, in Extreme’s November 7, 2023 Analyst Investor Day in New York City.
27 Thus, Defendant Rice would have known that his undisclosed fraudulent scheme would render the
28 other Individual Defendants’ statements false and misleading. Similarly, because Defendant Brown
reported directly to the C-Suite through Defendant Rice (who was the COO of Extreme), he too, was
aware that his undisclosed fraudulent scheme would render the other Individual Defendants’
statements false and misleading.

1 channel, and sales operations teams, and his primary responsibilities included “driving sales” and
2 growing Extreme’s revenues. On January 8, 2024, Extreme announced that Vitalone had resigned
3 from his position.

4 45. FE-1 was the Senior Distribution Account Manager at Extreme from May 2016
5 through August 2022, and has been in the distribution business for over thirty years. FE-1 reported
6 to the Director of Distribution in the Americas, Joe Uraco, who in turn, reported to Defendant Brown.
7 Throughout FE-1’s tenure at the Company, he managed Extreme’s relationship with TD Synnex, one
8 of Extreme’s top three largest distributors. FE-1 worked closely with Defendant Brown on a daily
9 basis. FE-1 decided to leave the Company in July 2022 after witnessing numerous instances of
10 unethical and manipulative channel stuffing behavior with distributors (explained more fully
11 below)—committed by Defendant Rice and Defendant Brown. These channel stuffing and
12 manipulative inventory practices were made known to the other Individual Defendants. Specifically,
13 FE-1 explained that prior to his departure, he provided Defendant Thomas documents demonstrating
14 the unethical channel stuffing conduct that he witnessed, and described the unethical practices that
15 he saw.³

16 46. FE-2 was employed by Extreme throughout the Class Period, including as Director of
17 Sales from before the Class Period to mid-2023. Thereafter, he was an Account Executive until the
18 end of his tenure at Extreme. As Director of Sales, FE-2 reported to Vice President of Sales and
19 Senior Director of SLED (State, Local, and Education) Sales David Savage, who in turn reported to
20 Senior Vice President Sales, Americas, Pete Brant, who in turn reported to Defendant Rice. In his
21 capacity as Director of Sales, FE-2 was responsible for collaborating with end user SLED accounts,
22 including universities, and the channel partners that sold to them, as well as working with Extreme’s
23 relevant distributors.⁴

24
25 ³ According to FE-1, Extreme personnel communicated internally at Extreme through text
26 messages on their personal phones. He explained that he and other colleagues also often spoke with
each other on Extreme’s video call function, which was either on Microsoft Teams or Zoom.

27 ⁴ According to FE-2, he and his colleagues often communicated internally using the Company’s
28 Microsoft Teams chats and instant messaging. FE-2 also recalled receiving some requests via text
message directly to his personal phone, specifically “if they [Extreme] did not want something on a
corporate account.”

1 47. FE-3 was a Senior-level Manager of Pricing at Extreme from before the Class Period
2 to the second half of 2023. FE-3’s responsibilities included executing the rollout of pricing and
3 signing off on deals. FE-3 reported into the Finance leadership of Defendant Tate, who reported to
4 the CFO (*i.e.* Defendant Thomas until February 2023, and then Defendant Rhodes beginning in May
5 2023).⁵

6 48. FE-4 was employed by Extreme until December 2022, most recently serving as Senior
7 Regional Distribution Manager operating out of Europe. FE-4 worked directly with leading
8 distributor Westcon during his employment with Extreme.

9 49. FE-5 was formerly employed by Extreme as Senior Channel Account Manager from
10 March 2022 to April 2024. His responsibilities included collaborating with Extreme’s two largest
11 nationwide channel partners. FE-5 explained that he reported to Channel Sales Manager – Strategic
12 Partnerships, Matthew Kilianski, and then Director, Global Solution Partnerships – Americas, Amy
13 Bravo, and lastly Director – Strategic Partnerships, Cameron Marchand. According to FE-5,
14 Kilianski, Bravo, and Marchand reported to Vice President, Americas Channel, Jennifer Orr, who
15 ultimately reported to Defendant Meyercord.

16 50. FE-6 was a Senior Account Manager at Extreme from July 2017 to October 2022.
17 During different points at his tenure at Extreme FE-6 reported to either David Savage or to FE-2. FE-
18 6 worked as part of the SLED department and except for the K-12 segment of SLED, he worked with
19 distributors and partners throughout his tenure.

20 51. FE-7 was the former President of a company (Intovista) that was acquired by Extreme
21 in 2021. FE-7 began working for Extreme in August 2021 as the sale was underway, and formally
22 became an Extreme employee in March 2022. However, FE-7 attended and participated in quarterly
23 and monthly Executive Leadership Team (“ELT”) meetings attended by Defendants Meyercord,
24 Thomas, Rice, as well as Joe Vitalone and others, beginning in or around August 2021. FE-7
25 explained that he was formally employed as the Senior Vice President, Strategy, Office of the CTO
26 from March 2022 until March 2023. FE-7 reported to current Chief Technology and Product Officer,
27

28 ⁵ Defendant Tate was the interim CFO from February 2023 to May 2023.

1 EVP/GM Subscription Business, Nabil Bukhari. FE-7 was tasked with analyzing several aspects of
2 Extreme’s business, including examining the pricing strategy for Extreme’s entire product portfolio.

3 52. FE-8 was employed by Extreme as Senior Vice President Global Channel Sales from
4 January 2022 to November 2023. The Distribution teams reported to FE-8. FE-8 attended “Revenue
5 Assurance” calls led by Defendant Rice, where the Company’s backlog was discussed.

6 53. FE-9 was employed by Extreme as a Channel Account Manager starting before the
7 Class Period, until late 2023. According to FE-9, he was part of a team of employees managing the
8 account and relationship with one of Extreme’s largest resellers/partners during the Class Period.

9 54. FE-10 was employed by Extreme as a Senior Account Executive from after July 2023
10 until April 2024 and was responsible for accounts in North America.

11 55. FE-11 was formerly employed by Extreme as an Account Manager from Fall 2022
12 through the end of the Class Period in the EMEA region. As an Account Manager, he was responsible
13 for ensuring that his partner accounts were set up correctly and received the correct discounts from
14 Extreme’s distributors. He was also responsible for ensuring there were no conflicts with end users.
15 FE-11 worked closely and spoke with team members in EMEA who worked directly with the partner
16 accounts.

17 **IV. BACKGROUND AND NATURE OF THE FRAUD**

18 **A. Overview Of Extreme’s Business**

19 56. Extreme is a global provider of cloud-based computer networking equipment and
20 related services. Extreme develops, manufactures, and sells wired and wireless network infrastructure
21 hardware equipment (*i.e.*, “product”), such as wireless access points.

22 57. Extreme conducts business in three major geographic regions: (1) Americas, (2)
23 Europe, Middle East, and Africa (“EMEA”), and (3) Asia Pacific (“APAC”).

24 58. Extreme’s fiscal year ends June 30 of each calendar year. For example, the Company’s
25 2023 fiscal year (“FY”) ended June 30, 2023. Thus, 1Q refers to the fiscal quarter ending September
26 30 of each calendar year; 2Q refers to the fiscal quarter ending December 31; 3Q refers to the fiscal
27 quarter ending March 31 (of the following calendar year); and 4Q refers to the fiscal quarter ending
28 June 30. As an example, 1Q2024 refers to calendar fiscal quarter ended September 30, 2023.

59. The Company reported both (1) product revenues and (2) subscription-based revenues, with product revenues accounting for approximately 70% of Extreme’s total revenues during and throughout the Class Period.⁶

60. During the Class Period, Extreme’s total revenues were also reported by its two major channels: (1) Direct and (2) Distributor. The Direct channel refers to Extreme selling its products directly to end user customers. The Distributor channel refers to Extreme selling its products to end users through: (a) its distributors (which sell to partners/resellers); or (b) its partners/resellers (which sell directly to end users). Accordingly, Extreme’s flow of product and sales in the Distributor channel can be illustrated through the following two diagrams:

Diagram A

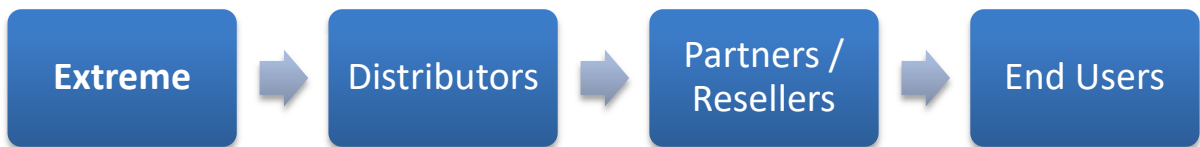


Diagram B



61. Extreme disclosed that revenues through the Distributor channel were 85% of total product revenues for FY2024, 83% of total product revenues for FY2023, and 80% of total product revenues for FY2022.

62. Further, Extreme stated that its three “largest distributors” were TD Synnex Corporation (“TD Synnex”), Jenne Inc. (“Jenne”), and Westcon Group Inc. (“Westcon”), with ScanSource right behind them.⁷ Specifically, Extreme disclosed in its yearly filings that its three

⁶ Specifically, according to Extreme’s SEC filings, product revenues accounted for 62.6% of total revenues for FY2024, 71% of total revenues for FY2023, and 68.5% of total revenues for FY2022.

⁷ See, e.g., Extreme 10-K for FY2022 at 8, 61.

largest distributors (TD Synnex, Jenne, and Westcon) collectively accounted for *more than 50%* of Extreme’s total revenues during and throughout the Class Period:

Distributor	FY 2024	FY 2023	FY 2022	FY 2021
TD Synnex	21%	18%	20%	19%
Jenne	22%	15%	16%	18%
Westcon	16%	20%	18%	16%
Total	59%	53%	54%	53%

63. In sum, these three distributors accounted for *over 54% of total Extreme revenues in FY2022, 53% of total Extreme revenues in FY2023, and 59% of total Extreme revenues in FY2024.*

ScanSource was also an important distributor for Extreme.⁸ For fiscal year 2022, ending June 30, 2022, ScanSource accounted for less than 10% of accounts receivable, but jumped to account for 14% of accounts receivable by the end of the first quarter of 2023, and stayed above 10% for the ensuing two years. In fiscal years 2023 and 2024, ScanSource accounted for 10% and 11% of Extreme’s accounts receivable.⁹

64. According to its Class Period filings with the SEC, Extreme recognized product revenues at the moment when its products were shipped to Extreme’s “customers” (*i.e.* its distributors or partners in the Distribution channel, and end users in the Direct channel)—specifically, when “control of the product is transferred to the customer (*i.e.*, when the Company’s performance obligation is satisfied), which typically occurs at *shipment* for product sales.”¹⁰

⁸ Although Extreme reports ScanSource’s accounts receivable, it does not report revenues attributable to ScanSource

⁹ Notably, Jenne became an increasingly large percentage of Extreme’s accounts receivable during the Class Period, comprising 28% of accounts receivable in fiscal year 2022, 39% in fiscal year 2023, and 64% in fiscal year 2024. This means that approximately half of Extreme’s accounts receivable in fiscal year 2023 (ending June 30, 2023) were attributable to just Jenne and ScanSource, which rose to 75% for fiscal year 2024 (ending June 30, 2024).

¹⁰ *E.g.*, Extreme 10-K for FY2023 at 57. Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers, Topic 606 (“Topic 606”) became effective for public companies for annual reporting periods beginning after December 15, 2017, and was adopted by Extreme thereafter. Topic 606 established a framework for recognizing revenue from customer contracts, providing that companies should recognize revenue in the period in which a good or service is transferred from the company to the customer. According to FE-1, in 2018 or 2019, following the effectuation of Topic

Footnote continued on next page

B. Defendants’ Class Period Statements Paint a Picture Of Incredible Product Demand, Both Of Orders On Backlog And Shippable Product

1. Extreme’s Half Billion Dollar “Firm” and “Not Cancelable” Backlog Increases To Record Highs During The Class Period

65. In addition to revenues earned from shipped product, Extreme reported its product backlog as a key metric during the Class Period. As Extreme stated in its reports filed with the SEC, the Company’s backlog represented the amount of revenue Extreme expected to be recognized based on the present amount of “confirmed orders with a purchase order for products to be fulfilled and billed to customers with approved credit status.” Importantly, and as discussed further below, orders on backlog represented orders that had not been “fulfilled” or shipped, and thus, could *not* be counted as revenue. Nonetheless, Defendants impressed upon the market repeatedly throughout the Class Period that the backlog effectively represented near-certain incoming revenue.

66. Extreme’s networking products rely on several key components, such as merchant silicon, microprocessors, integrated circuits, and power supplies, as a part of an expansive supply chain. The COVID-19 pandemic that first emerged during 2020, however, created disruptions and bottlenecks that led to shortages of Extreme’s supplies for its networking products for the following few years.

67. These supply chain disruptions, together with the larger impact of the COVID-19 pandemic, immediately affected Extreme’s revenues. For example, while Extreme had reported total revenues of \$267.5 million in 2Q2020 (ending December 31, 2019), \$190.5 million of which were product revenues, that number crashed to \$209.5 million in 3Q2020 (ending March 31, 2020), \$136.5 million of which were product revenues, and only \$215.5 million in 4Q2020 (ending June 30, 2020), \$141.5 million of which were product revenues. Those revenue figures started to improve in fiscal year 2021, but supply chain disruptions still resulted in a scarcity of Extreme’s most in-demand products. Indeed, in Extreme’s 3Q2021 Earnings Call (for the quarter ending March 31, 2021), which

606, Extreme changed its revenue recognition model from a “Point-of-Sale” model—under which, FE-1 explained, Extreme recognized revenue only when an end user purchased the product from Extreme’s reseller/partners—to a “Sales-In” model—under which sales and revenue were recognized as soon as the merchandise physically left Extreme for a distributor or partner.

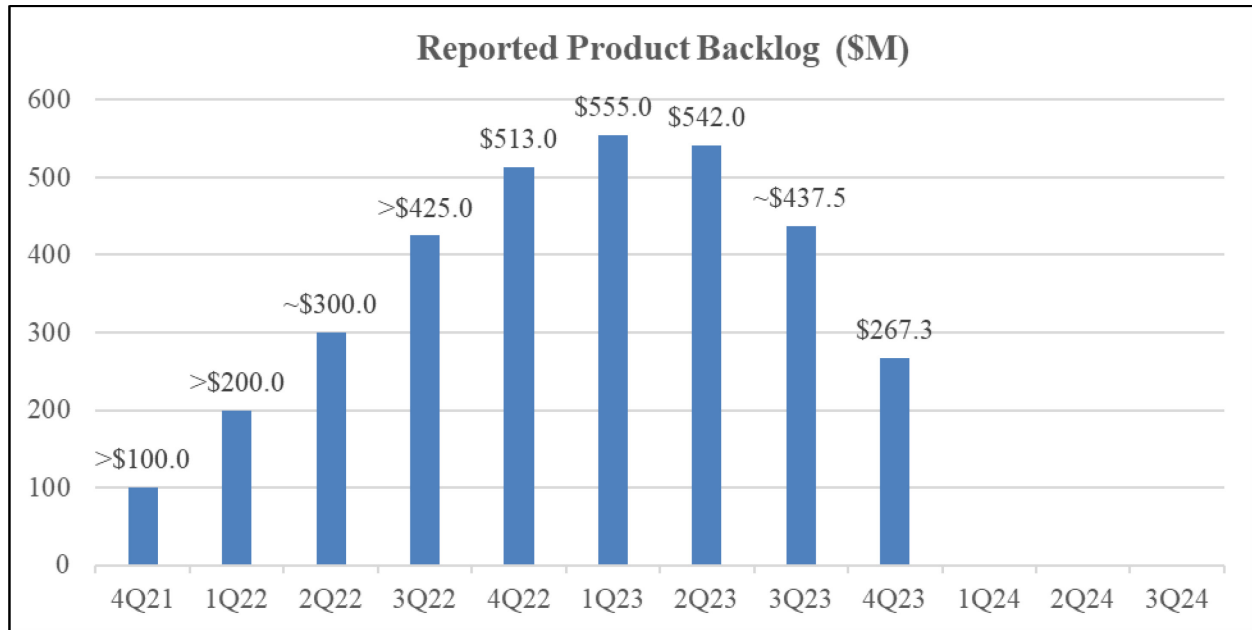
1 took place on April 28, 2021, Defendant Meyercord noted that “supply chain constraints” continued
2 to be a concern that would carry on at least until the following year.

3 68. Specifically, during that call, analysts asked whether Extreme can “quantify how the
4 supply constraints are impacting your 4Q[2021] outlook? And how much revenue you think you’re
5 leaving on the table or pushed out to later quarters?” Defendants Meyercord and Thomas responded
6 that the ongoing supply chain constraints had a “material” “revenue impact” to Extreme and stated
7 that there would be a building up of backlog for the upcoming 4Q2021 quarter (ending June 30,
8 2021)—stating that “from a revenue perspective, you’ve seen our book-to-bill¹¹ number greater than
9 1. And I think you could expect to see that in this [4Q2021] quarter as well. . . . With our forecast,
10 we’re expecting to build backlog in this [4Q2021] quarter.”

11 69. In light of its growing backlog, Extreme began publicly reporting its total cumulative
12 product backlog on a quarterly basis in 4Q2021 (ending June 30, 2021). Extreme’s backlog
13 skyrocketed from approximately \$33 million in 1Q2021, to \$100 million in 4Q2021, to a high of
14 **\$555 million** in 1Q2023 (ending March 31, 2023). As Defendants explained to investors, Extreme’s
15 rapidly increasing backlog gave “confidence” to Defendants’ promises of continued revenue growth,
16 because, as Defendants explained, the backlog represented assured revenues based on current
17 confirmed orders that simply could not be met at the current moment due to supply chain constraints.

18 70. Extreme reported backlog on a quarterly basis from 4Q2021 through 4Q2023, after
19 which the Company stopped reporting backlog on a quarterly basis. As shown below, at the start of
20 the Class Period when the Company reported its financial results for 4Q and FY2022, Extreme’s
21 backlog was reported to be valued at more than half a billion dollars:
22
23
24
25
26

27 ¹¹ The Book-to-Bill or “B-B” ratio refers to the flow of orders for a specified period, *i.e.*, the
28 dollar value of orders received divided by the dollar value of orders shipped and billed during the
quarter.



11 71. Prior to the start of the Class Period, once Extreme began publicly reporting its backlog
12 value, analysts immediately questioned whether the reported backlog could be counted on as
13 indicative of future revenues. For example, an analyst on the July 28, 2021 Q42021 Earnings Call
14 expressed concern over the reliability of the backlog figure, noting that the “investing community
15 is so worried that there’s some degree of perhaps meaningful over-ordering,” and pressed Defendant
16 Meyercord, asking: “What is your visibility as to true demand and the risk that there is a . . .
17 meaningful amount of over-ordering going on, and so true demand is far less than what your nominal
18 order book and other demand metrics would indicate?” Meyercord rejected the analyst’s concerns
19 about Extreme’s customers “over ordering” or “double ordering” (*i.e.*, customers placing multiple
20 orders for substantively identical products with Extreme and other competitors and then cancelling
21 with Extreme if another competitor met the order first), responding that, compared to Extreme’s other
22 competitors, Extreme “do[es]n’t see it [over-ordering] as much . . . in terms of our backlog, it’s a
23 pretty small percentage.”

24 72. As noted in the chart above, one year later, by the close of 4Q2022, first reported on
25 July 27, 2022 (the first day of the Class Period), Extreme reported a whopping **\$513 million of**
26 **backlog orders**, a number that would peak at **\$555 million** the following quarter. Defendants’
27 statements about the surety of that backlog figure had become increasingly strident and assured. For
28

1 example, during and throughout the Class Period, Defendants touted to the market that—based upon
 2 Defendants’ “*complete visibility*” into the product backlog—the “vast majority” of orders included
 3 in Extreme’s backlog reflected “*firm*” customer commitments, were “*not cancelable*,” and reflected
 4 “*end user demand*.” Specifically, Defendants told investors that, for example:

5 “We have complete visibility into our product backlog *and have received negligible*
 6 *cancellations to date of less than 1% of bookings. Our backlog primarily consists of*
 7 *our latest-generation universal products.*” (4Q2022 Earnings Call – July 27, 2022,
 Defendant Meyercord)

8 “Once backlog begins to release, *it will unlock an accelerated wave of product*
 9 *shipments and revenue growth over multiple quarters. We have complete visibility*
 10 *into our product backlog, the vast majority of which is comprised of orders with*
 11 *current delivery request dates.*” (1Q2023 Earnings Call – Oct. 27, 2022, Defendant
 Meyercord)

12 “[*The backlog*] *it’s not cancelable. These are real projects that we see. . . .* the vast
 13 majority of our backlog is related to this kind of end user demand project-based
 14 business and *we don’t see double ordering.*” (Needham Technology & Media
 Conference – May 17, 2023, Defendant Tate)

15 “*We have the benefit of a healthy backlog of customer orders with request dates that*
 16 *spread fairly evenly through the end of our fiscal year. End customer orders remain*
 17 *firm* and distributor orders have normalized, giving us confidence in our outlook for
 this fiscal year.” (FY2023 Earnings Call – August 2, 2023, Defendant Meyercord)

18 73. The above statements (and other similar statements described in full below in Section
 19 VII and in Appendix A, attached hereto) left the market with the impression that the orders in
 20 Extreme’s backlog reflected “firm” customer commitments, were not cancelable, and that the present
 21 value of the backlog would soon contribute to the Company’s strong revenue growth. Indeed, on the
 22 first day of the Class Period, Defendant Meyercord stated that Extreme’s fiscal year 2022 “all time
 23 high revenue of \$1.1 billion . . . *was understated by the \$400 million of incremental backlog we*
 24 *built during the year,*” referring to the growth of backlog from approximately \$100 million as of the
 25 end of fiscal year 2021 to \$513 million as of the end of fiscal year 2022.

26 74. Bolstering the represented firmness and generally non-cancelable nature of its
 27 backlog, Extreme amended its definition of its backlog orders at the start of the Class Period, offering
 28 investors greater assurance in the certainty of the Company’s explosive backlog figure. Before the

1 start of the Class Period, Extreme stated in its Form 10-K for FY2021 (year ended June 30, 2021)
2 that backlog orders would be subject to “cancellations by customers which we may elect to allow
3 *without penalty to customers*[.]” However, at the outset of the Class Period, Extreme changed this
4 definition, stating that in its 10-K for FY2022 (year ended June 30, 2022) that “[a]lthough we believe
5 the orders included in the backlog are *firm*, all orders are subject to possible rescheduling by
6 customers, and cancellations by customers, which we may elect to allow *on an exception basis*”—
7 omitting the express statement that cancellation, once “elected” by Extreme, would occur “without
8 penalty.” This new phrasing stressed that cancellations were not freely given but could occur on “an
9 exception basis” only, and may incur a “penalty” to be imposed by Extreme.

10 75. Defendants reinforced the fact that the backlog orders could not be easily or freely
11 cancelled. Indeed, Defendant Tate, as interim CFO, unequivocally confirmed the certainty of
12 Extreme’s backlog orders on May 17, 2023, when she stated that Extreme’s backlog orders—on
13 which the Company had “*excellent visibility*”—were simply “*not cancelable*.”

14 76. Although analysts continued to question Defendants about the firmness and reliability
15 of the backlog, they, and the market, believed Defendants reported backlog figures, their
16 representations that the backlog was not rife with double or triple ordering, and their representations
17 that the backlog value would convert to revenues.

18 77. For example, on July 27, 2022, Needham stated in its analyst report—in response to
19 Defendant Meyercord’s statements—that Extreme had “Visibility Down to the Deal Level: *No*
20 *Double Ordering* as Orders are Tailored to Specific Structured Project Deployments. *Extreme has*
21 *long had an order cancellation rate that’s solidly less than 1%* and that is not changing. Extreme
22 can see these orders with high degree of specificity down to the details of the deployment
23 architectures. *They argue they are confident with this visibility . . . [the] orders are real and*
24 *sustainable.*”

25 78. Other analyst commentary and coverage during the Class Period similarly
26 demonstrated that the market believed Defendants’ representations as to the strength and “firm”
27 nature of Extreme’s backlog, as well as the repeated assertions that the present-tense strength of the
28 backlog of orders would lead to strong revenue growth. For example, on August 28, 2022, Rosenblatt

1 Securities stated that Extreme’s revenue “*forecast appears particularly safe due to the [C]ompany’s*
 2 *highly elevated backlog.*” On September 23, 2022, Needham stated that Extreme’s operations appear
 3 to be “substantially better than average resiliency,” which was “driven by its *massive and sticky*
 4 *backlog.*” And on October 28, 2022, Craig-Hallum analysts summed up the market expectation based
 5 upon Defendants’ false and misleading statements, finding that: “The company expects its backlog
 6 to continue to build for the next few quarters through FY23, before supply constraints ease to a level
 7 the backlog can begin to work down starting in Q1 FY24. . . . *With material backlog set to be a*
 8 *multi-year tailwind to already solid demand trends,* and margins to expand and drive material
 9 leverage at the same time, *we remain very encouraged with Extreme’ setup from here.*”

10 79. Months later, Rosenblatt Securities stated in its March 29, 2023 analyst report, in
 11 reliance on Defendants’ misrepresentations, that:

12 *Backlog risks seem low. We believe Extreme has excellent visibility to its backlog,*
 13 *and we are confident the risk of double ordering is low. The company has software*
 14 *tools to know what’s in backlog and that no projects are duplicates. . . . We think the*
 15 *risk of backlog cancellations are very low[.]*

16 80. As discussed in vivid detail below, Defendants willfully and knowingly misled
 17 investors about the strength, reliability, and “firmness” of Extreme’s backlog. Not only was the
 18 backlog contractually-designed to be cancelled and was completely subject to double and triple
 19 ordering—rendering up to two-thirds of the backlog likely to be cancelled—but Extreme embarked
 20 on a scheme during the Class Period that threw out the Company’s historical backlog fulfillment
 21 practices based on when a distributor placed its purchase order (FIFO), and used the backlog as a tool
 22 to force distributors to place hundreds of millions of dollars of orders for shippable, unwanted, and
 23 unneeded “end of life” products in order to jump the line and get prioritized backlog shipments. This
 24 created chaos for distributors, partners, end-users, and account executives, leading to a slashed
 25 backlog by the start of FY2024 that did not and would not convert to revenues.

26 **2. Extreme’s Product Revenues Also Grow Exponentially During The Class**
 27 **Period, Which Defendants Attribute To “Exceptionally Strong” Demand**

28 81. As Extreme’s backlog ballooned, reflecting hundreds of millions of dollars of in-
 demand product unable to be shipped and recorded as revenue, Extreme simultaneously reported

1 incredibly strong revenue growth throughout the Class Period, especially as compared to the
2 Company's COVID-era product revenues of approximately \$140 million, as shown in the below
3 table:

Fiscal Quarter	Product Revenue	Total Revenue
4Q2022 (end 6/30/22)	\$187.1M	\$278.2M
1Q2023 (end 9/30/22)	\$206.3M	\$297.7M
2Q2023 (end 12/31/22)	\$4M	\$318.3M
3Q2023 (end 3/31/23)	\$241.1M	\$332.5M
4Q2023 (end 6/30/23)	\$261.6M	\$363.8M
1Q2024 (end 9/30/23)	\$253.5M	\$353.1M

8 82. Extreme heralded the Company's record Class Period product revenue results as
9 "***double-digit revenue growth for the year . . . even in the current supply chain environment,***" and
10 attributed that growth "due" to Extreme's "***strong,***" "***exceptionally strong,***" and "***unabated market***
11 ***demand.***"

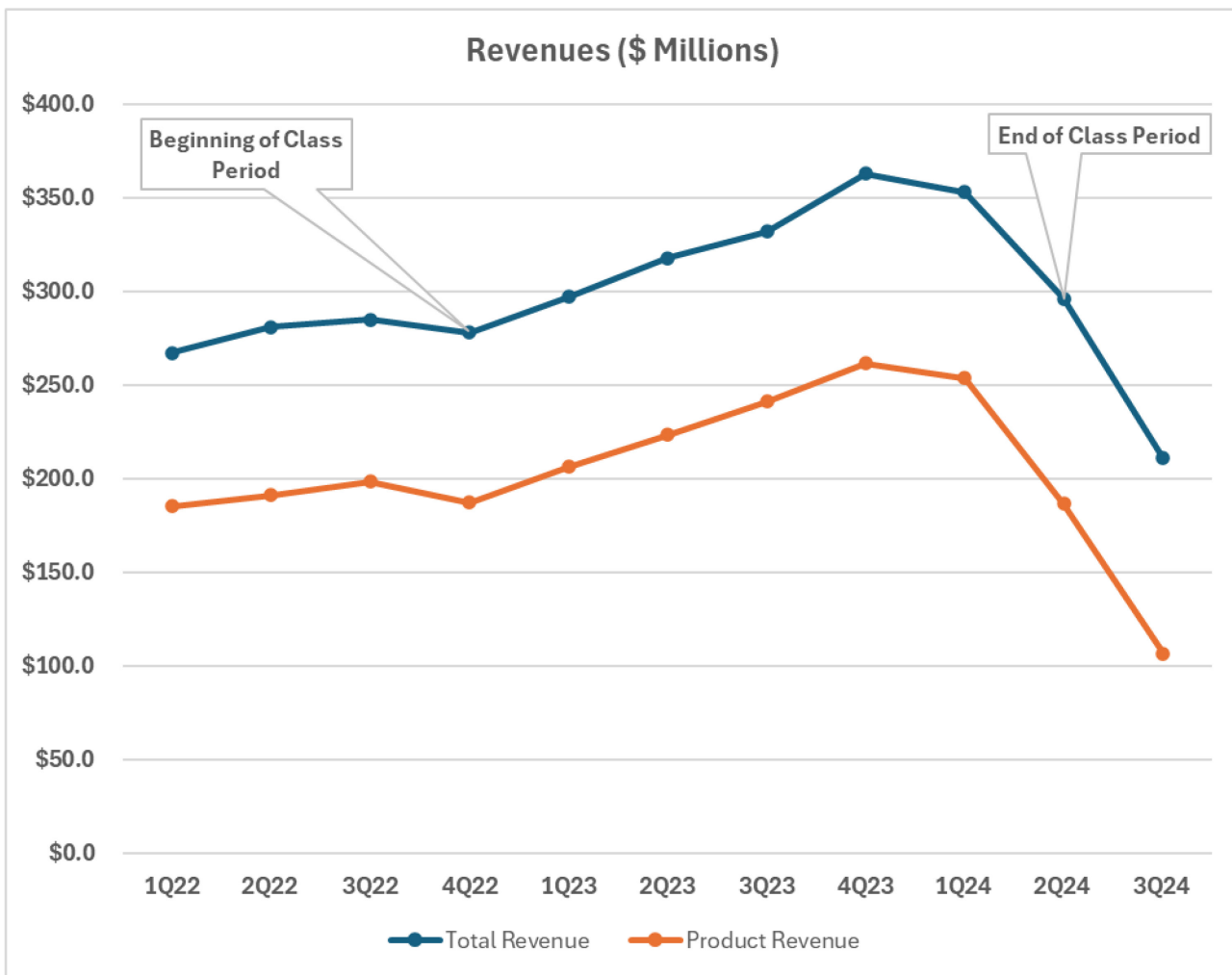
12 83. At the start of the Class Period, Defendants stated in Extreme's 4Q2022 Earnings press
13 release on July 27, 2022, that "***For FY22 we achieved double-digit growth*** in both bookings and
14 ***revenue due to strong demand,***" that "***[o]ur teams continue to see unabated market demand,***" and
15 that they "***achieved double-digit growth for the year*** and improved operating margins, ***even in the***
16 ***current supply chain environment.***" Defendants emphasized to investors how this "double-digit
17 growth" happened while simultaneously growing Extreme's backlog, such that this impressive
18 growth was still "***understated by the \$400 million of incremental backlog we built during the year.***"

19 84. Analysts responded positively to Defendants' attribution of revenue growth to the
20 Company's "strong" organic demand. For example, on July 27, 2022, Lake Street Capital Markets
21 issued an analyst report stating that the "tale of FY22 was that market demand remains strong for
22 Extreme networking products . . . and services . . . We thought Q4 (Jun) might hint at signs of a
23 slowdown, especially in Europe, but that was not the case." Lake Street Capital Markets further
24 stated: "Extreme maintained its FY23 revenue target of 10%-15% growth, driven by strong demand
25 amongst all major verticals and the unlocking of the backlog." Given this "robust demand," Lake
26 Street Capital Markets reiterated its Buy rating and raised its price target for Extreme stock to \$15.

27 85. Similarly, Needham stated in its July 27, 2022 report that "Extreme believes their
28 demand and robust backlog will enable them to produce double-digit Revenue growth across a wide

1 range of potential scenarios and outcomes.” Needham also stated that Extreme: “beat our Revenue
 2 and EPS forecast . . . and importantly, noted a strong, robust pipeline with no evidence of erosion or
 3 softening[.]” As a result of Defendants’ false assurances, Needham gave Extreme a “Buy” rating and
 4 increased the price target to \$14.50.

5 86. Throughout FY2023 (July1, 2022 through June 30, 2023), Defendants continued to
 6 report steadily increasing product revenue growth, peaking at \$261.6 million in 4Q2023, up from
 7 \$187.1 million in 4Q2022.



8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24
 25 87. Again, as in the 4Q2022 Earnings Call, Defendants throughout FY2023 articulated
 26 that the reason for Extreme’s ongoing revenue growth was because of “*exceptionally strong*”
 27 demand. Specifically, Defendants asserted:
 28

1 ***“We had a record quarter as demand for cloud-driven networking and for Extreme***
 2 ***Solutions has never been stronger.*** Again, our share gains are evident by double-digit
 3 revenue growth, record revenue and continued growth of backlog, which now sits at
 \$555 million.” (1Q2023 Earnings Conference Call, Defendant Meyercord)

4 ***“We had another record quarter, as demand for cloud-driven networking and for***
 5 ***Extreme Solutions remains exceptionally strong with good visibility through fiscal***
 6 ***year end '23, leading us to raise our full year revenue outlook to the high end of our***
 7 ***range. . . With a strong outlook for bookings growth and the gradual improvement of***
 8 ***supply, we expect backlogs to remain relatively stable for the next several quarters.***
 9 ***We’re in the beginning stages of an accelerated wave of product shipments and***
 10 ***revenue growth over multiple quarters. The majority of our backlog consists of the***
 11 ***latest generation universal products.***” (2Q2023 Earnings Conference Call, Defendant
 12 Meyercord)

13 ***“And we’re seeing good demand. We’re seeing double-digit growth*** in our weighted
 14 funnel year over year. And so that gives us confidence that demand is going to
 15 continue.” (Needham Technology & Media Conference – May 17, 2023, Defendant
 16 Tate)

17 88. The above statements (and other similar statements described in full below in *infra*
 18 Section VII and in Appendix A, attached hereto) painted a picture of a healthy channel and organic
 19 demand for Extreme’s products, fueling an exponentially increasing product revenues, which
 20 contributed to Extreme’s similarly increasing stock price. During and throughout the Class Period,
 21 analysts accepted Defendants’ attribution of revenue growth to Extreme’s purported strong organic
 22 demand—reflecting the market’s reliance on those material misrepresentations.

23 89. For example, Lake Street Capital Markets stated in its October 27, 2022 analyst report
 24 in response to Defendants’ 1Q2023 Earnings, that: “Extreme maintained its FY23 revenue target of
 25 10%-15% growth, ***driven by strong demand*** amongst all major verticals.” Accordingly, Lake Street
 26 Capital Markets again reiterated a “Buy” rating for Extreme stock.

27 90. Similarly, Craig-Hallum Capital Group LLC stated in its October 28, 2022 analyst
 28 report that: “Extreme Networks reported another quarter of solid results. ***Strong demand and***
bookings continued to outpace supply and the company continued to build its record backlog. . . .
 With material backlog set to be a multi-year tailwind to already solid demand trends, and margins to
 expand and drive material leverage at the same time, we remain very encouraged with Extreme’s
 setup from here. We are reiterating our Buy rating and raising our price target to \$22[.]”

1 91. And, again, Craig-Hallum stated in its January 26, 2023 analyst report—in reliance on
 2 Defendants’ false and misleading misrepresentations—that: “management believes demand will
 3 remain strong and expect its strong backlog to remain relatively stable through the next several
 4 quarters before beginning to be worked down. . . . With revenue growth expectations in FY23 to be
 5 near the high end of the company’s previous 10%-15% range, management stated they expect FY24
 6 growth to be within the company’s long-term targeted range of 13%-17%. . . with an expectation for
 7 continued strong multi-year growth we are maintaining our Buy rating and \$22 price target.”

8 92. Similarly, on April 27, 2023, Needham reported that “[t]here is a lot to like in
 9 Extreme's FY24 and FY25 outlook as ***strong demand, improving supply chain dynamics, and an***
 10 ***insulating backlog should enable 10%-15%+ Revenue growth*** with rapidly expanding Operating
 11 and Gross Margins.”

12 93. As revenues began to decline slightly in 1Q2024 (ending September 30, 2023),
 13 Defendants continued to tout their revenue results as positive growth year-over-year and continued
 14 to assert that Extreme’s revenues were strong and attributable to improvements in the supply chain
 15 environment. For example:

16 ***“In the first quarter, we again demonstrated strong financial and operational***
 17 ***performance. . . First quarter revenue of \$353.1 million grew 19% year-over-year,***
 18 ***exceeding the high end of our expectations entering the quarter. . . Product revenue***
 19 ***of \$253.5 million grew 23% year-over-year, reflecting continued improvement in***
 20 ***our supply chain environment.”*** (1Q2024 Earnings Conference Call, Defendant
 21 Rhodes)

22 **C. In Reality, Defendants Could Not Meet Extreme’s Quarterly Revenue Targets**
 23 **And Implemented A Scheme To Leverage Backlog To Stuff The Channel, Close**
 24 **Revenue Gaps, And Report “Strong” And “Unabated” Demand**

25 94. Extreme’s Class Period revenue growth story was a lie. By March 2022, just before
 26 the close of 3Q2022 and the start of 4Q2022, Extreme found itself materially short of its forecasted
 27 revenue numbers.

28 95. Former employees have now disclosed in precise detail how, beginning in mid-March
 2022, at the direction of Defendants Meyercord, Thomas, Rice, and Brown, ***Extreme initiated a***
systematic, Company-wide, scheme to “stuff” its top distributors with excessive “end of sale” and
unwanted product, untethered from any actual end-user demand, in order to meet the Company’s

1 *revenue targets*. The primary (but not only) means for stuffing the channel and closing the revenue
2 gap was to “blow up” Extreme’s backlog’s historical and fair “first in, first out” (FIFO) fulfillment
3 order. Rather than reward distributors for placing early purchase orders for backlog product so that
4 they could be first to receive those products when available, in March 2022, Extreme hatched a
5 scheme to “decommit” all existing FIFO priority and would instead wield the backlog—and leverage
6 distributors’ desire to receive in-demand product first—and convinced Extreme’s top distributors—
7 primarily Westcon in EMEA and Jenne in the Americas, as well as to a lesser degree TD Synnex and
8 ScanSource—to place orders for tens of millions of dollars of unwanted and unneeded shippable
9 product, and in exchange, those distributors who placed the largest orders could jump the line and
10 get prioritized backlog shipments. Customers who did not “play ball” were demoted, and regardless
11 of how long they had been waiting, did not receive shipments off of the backlog. As a result, Extreme
12 was able to not only meet, but exceeded its revenue targets each quarter of the Class Period (until the
13 truth began to come out).

14 96. However, this scheme was unsustainable. Those distributors who played along were
15 allowed to return large amounts of the unneeded, unsaleable product they bought under duress, and
16 those returns negatively impacted revenue, creating even larger revenue gaps. In addition, blowing
17 up the FIFO fulfillment reaped chaos, resulting in the predicted “blood in the streets,” and ultimately
18 Extreme’s distributors refused to submit to Defendants’ demands, cratering the backlog and
19 decimating Extreme’s revenues for the second and third quarters, and full fiscal year 2024.

20 **1. A March 16, 2022 Distribution Meeting Launches The Channel Stuffing**
21 **Scheme—“Ed Chose This Path”**

22 97. In the months leading up to the 4Q2022 earnings release, while there was demand for
23 Extreme’s products that were not readily available to ship (*i.e.*, backlogged products), there was
24 insufficient organic demand for shippable product. Defendants did not want to inform Extreme’s
25 investors of this reality. Indeed, only months earlier, Defendant Meyercord had told investors during
26 Extreme’s 2Q2022 Earnings Call that “[w]e see strong demand as we turn the corner into calendar
27 2022” and that “[o]n top of the strong demand in the first half of our fiscal year, our business
28

1 momentum is increasing,” the “funnel of opportunities is strengthening” and “[w]e expect to grow
2 our market share and drive record double-digit organic growth rates into the foreseeable future.”

3 98. As the close of 3Q2022 approached (end of March 2022), Extreme’s executive
4 leadership team (ELT), which included Defendants Meyercord, Thomas, and Rice, discussed how to
5 “*get into the company [the] # the street expects*,” and came up with an illicit channel stuffing plan
6 to be widely implemented with full effect by 4Q and the end of the 2022 fiscal year in June.

7 99. FE-1 was the Senior Distribution Account Manager at Extreme from May 2016
8 through July 2022, with over thirty years of experience in the distribution business. FE-1 reported to
9 the Director of Distribution in the Americas, Joseph Uraco, who reported to Defendant Brown, who
10 in turn reported to Defendant Rice. Throughout FE-1’s tenure at the Company, he managed Extreme’s
11 relationship with TD Synnex, one of Extreme’s top three largest distributors. As part of his
12 employment, FE-1 worked closely with Defendant Brown on a daily basis.

13 100. According to FE-1, Extreme’s distributor sales practices changed dramatically in
14 March 2022. As noted above, sales to distributors were the lifeblood of Extreme’s revenues, with just
15 four distributors—Westcon, Jenne, TD Synnex, and ScanSource—contributing well over 50% of
16 Extreme’s total revenues each quarter. FE-1 kept contemporaneous notes of many of his meetings
17 and calls while at Extreme. FE-1 referenced those notes that he kept throughout his tenure at Extreme
18 (copies of which were provided to Lead Counsel) and used those notes and his own recollection when
19 recounting Extreme’s management-led channel stuffing that precipitated his resignation from the
20 Company.

21 101. FE-1 explained that beginning in March 2022 “was when it got ugly,” meaning that
22 Extreme was very short of their Q3 2022 revenue targets. FE-1 stated that, at this point, “none of the
23 distributors *needed* any more inventory, but Extreme *needed* to ship more to make the number.” FE-
24 1 recalled that in March 2022, Defendant Brown launched a new initiative that forced distributors
25 waiting for in-demand product on the backlog to buy large amounts of low- or no-demand products
26 in order to maintain their place in the backlog, or to move up their place in the backlog. FE-1 advised
27 that, according to Defendant Brown, those who refused to buy the unwanted and unneeded products
28

1 would lose their place in the backlog line. In this way, Extreme utilized customers' position on the
2 backlog line as "leverage" for forced sales of products that were not in-demand.

3 102. This was a marked change in practice, according to FE-1, given that previously
4 customers' place in the backlog was determined by when they placed their order, providing
5 consistency and fairness to the process.

6 103. FE-1's contemporaneous notes (and his own vivid recollection) of meetings, events
7 and sales figures during this period document the scheme and provide evidence of the scheme's
8 participants and those who were aware of it, providing indisputable proof of a companywide Class
9 Period channel stuffing scheme that materially misled investors.

10 104. FE-1 explained that just prior to the middle of March—around March 10, 2022—
11 Defendant Brown told FE-1 that he was going to offer Peter Larocque, President of TD Synnex,
12 revenue towards Synnex's marketing spend if that distributor took unneeded inventory. FE-1 added
13 that Defendant Rice knew about this intended offer. FE-1 continued that on the following day, March
14 11, 2022, FE-1 was on a call where Defendant Brown stated that he was targeting TD Synnex, which
15 was FE-1's managed distributor, for a \$40 million purchase of inventory that it did not need. FE-1
16 advised that TD Synnex did not wind up agreeing to the \$40 million purchase.

17 105. Faced with this considerable gap and TD Synnex's rejection, sometime in the
18 following days, Defendants came up with a new way to close Extreme's revenue gaps going forward.

19 106. At 8:30 am on March 16, 2022, FE-1 participated in a call led by Defendant Brown
20 during which Brown stated that he intended to reach the revenue numbers that analysts expected from
21 Extreme for that quarter (*i.e.*, 3Q2022, which would close in two weeks). According to FE-1,
22 attendees on this call included FE-1; Director of Distribution Sales – Americas Uraco; Director,
23 EMEA Distribution John Campbell; Senior Vice President Global Operations Jack Lyon;
24 Distribution Partner Account Manager Sam Flansbaum ("Flansbaum"); Senior Regional Distribution
25 Manager (Europe) Alison Bullen; Vice President Sales Strategy, Business Development and
26 Operations Matt Cleaver; and others.

27 107. FE-1's notes indicated that at the start of the meeting, Brown referenced an email from
28 Defendant Rice concerning distributors. In that email, Rice demanded that they meet the quarter's

1 numbers that were expected by the street, with FE-1’s notes indicating that Brown (“JB”) said at the
2 meeting “*how do we get into the company # that the street expects...*” For context, as FE-6 (a Senior
3 Account Manager at Extreme from July 2017 to October 2022) explained, Defendant Rice was
4 Defendant Meyercord’s “right hand man” during the final “few years” of FE-6’s tenure. FE-6 stated
5 that Defendant Rice is “part of the problem.”

6 108. Brown explained to the meeting attendees, including FE-1, that Extreme would reach
7 the numbers analysts expected by forcing Extreme’s two main distributors (“2 main disty”)—
8 Westcon and Jenne—and two or three smaller distributors to purchase inventory from Extreme they
9 did not need. FE-1’s notes reflected that Defendant Brown’s plan was to “*decommit all.*” FE-1
10 explained that this meant that the prior practice of fulfilling backlog orders based on the order in
11 which purchase orders were entered—*i.e.*, first in, first out (FIFO)—would end and the FIFO priority
12 would be “decommitted” in place for a new system.

13
14 JB. How do we get into THE COMPANY
15 THAT THE STREET EXPECTS...
16
17 DeCommit All
18 PUT THEM - 2 MAIN DISTY
19 2-3 SMALLER ONES

20 109. FE-1’s meeting notes also indicated: “Opted in – for all of prioritization next qtr if
21 they opt in,” and FE-1 explained that this referred to Defendant Brown announcing that all orders
22 were going to be decommitted, and prioritization of inventory for the next quarter would be based on
23 who opted in to purchasing unneeded inventory.

24 110. According to FE-1, up until this point, inventory had been shipped to distributors on a
25 first in, first out, known as “FIFO”, basis, meaning that Extreme shipped newly available inventory
26 to whomever ordered it first. However, FE-1’s notes from this call quoted Defendant Brown saying
27 that “FIFO” “would not work,” and FE-1 recalled Brown explaining that he needed to decommit
28

1 distributors instead, and leverage the new, wanted products by refusing to ship them until Extreme
2 could get rid of its old, unwanted products.

3 111. FE-1 recalled (referencing his notes) that some of the meeting attendees responded
4 that the effect of cancellations on Extreme’s relationships with its distributors would result in “*hurt*
5 *feelings*,” “*consternation*,” and proverbial “*blood in the streets*.” Regardless, FE-1 explained that
6 Brown’s decommit strategy was to be the *new plan going forward*—not just for that quarter—so that
7 Extreme could force the distributors to help Extreme to meet any future quarterly numbers. He also
8 recalled that Senior Vice President Global Operations Jack Lyon reported during the March 16, 2022
9 meeting that forecasting was down for the following quarter, making the need to leverage the backlog
10 to pull in orders of non-backlog product even more necessary.

11 112. Continuing to reference his notes from the March 16, 2022 meeting, FE-1 recalled
12 Defendant Brown acknowledging that Extreme’s “challenge” was that the Company was “*running*
13 *out of tricks in our bag*” to meet quarterly numbers.

14
15 Handwritten note on lined paper: 3/16/22. How LERO is running out of TRICKS IN OUR BAG -
16
17
18

19 113. FE-1 further recalled that Brown stated that he would start decommitting distributors
20 within the “next 48 hours,” which FE-1 explained needed to be done in order to give Extreme time
21 to negotiate with the distributors, reallocate, and ship material to meet the March 31, 2022 shipping
22 deadline for the end of quarter. Per Defendant Brown, orders were being decommitted in the system
23 in 48 hours and the “winners and losers” would be chosen based on who opted in. FE-1 explained
24 that Brown added that from that quarter on, he was picking winners and losers based on whomever
25 would “dance” with him.

26 114. Defendant Brown was no rogue agent; *this decision was authorized from the very*
27 *top—by Defendant Meyercord.*

1 115. FE-1’s notes reflect that Defendant Brown stated that this plan was the “*lesser of many*
2 *evils for ELT*” (the Executive Leadership Team), required to meet the quarterly numbers. FE-1
3 advised that the ELT at the time consisted of Defendants Meyercord, Thomas and Rice, as well as
4 Chief Revenue Officer Joe Vitalone, and possibly others. FE-1 specifically recalled Brown stating
5 that Meyercord “*chooses blowing up FIFO.*” This indicated to FE-1 that the executives above Brown
6 were aware of and approved of this strategy. FE-1’s notes of this call end with the damning line: “*Ed*
7 *chose this path – lesser of the 2 [evils].*” FE-1 also recalled, more specifically, Brown stating on the
8 call that Defendant Meyercord felt that there were two paths (report poor revenues or force through
9 sales) and that Meyercord “chose this path”—the path of “decommits” and ending FIFO—because
10 he felt that it was the “lesser of the two” evils for Extreme.

11 *2- paths*
12 *Ed chose this path - lesser*
13 *of the 2.*

15
16 116. The following day, March 17, 2022, FE-1’s notes memorialized an internal meeting
17 that he described as “**Ed talks**,” during which Defendant Meyercord stated that (i) the supply chain
18 constraints were “not getting better,” (ii) the “constraints were creating backlog,” and (iii) that as a
19 result, Extreme “can’t ship” this backlog out as revenue. According to FE-1, Defendant Meyercord’s
20 remarks underscored the pressure that the Company faced and the urgent need to meet revenue targets
21 by any means.

22 117. FE-1’s notes reflect conversations with distributors that happened in the wake of the
23 March 16, 2022 meeting. One set of notes involves a March 23, 2022 call that FE-1 recalled occurring
24 between himself, the Vice President of Vendor Management of TD Synnex, Defendant Brown, and
25 Uraco. FE-1 explained that on this call, Defendant Brown was discussing an earlier effort to get TD
26 Synnex to take \$7 million of inventory for a Verizon deal, and told TD Synnex that it will be worth
27 “\$70 million next year.”
28

1 118. FE-1 also recalled TD Synnex asking Brown whether TD Synnex “was going to get
 2 product or not.” Defendant Brown responded that TD Synnex “screwed up” by not purchasing \$7
 3 million of Extreme’s Verizon inventory. FE-1 explained that the VP of Vendor Management of TD
 4 Synnex stated that he may be willing to take Extreme’s offer to his supervisor at TD Synnex if
 5 Defendant Brown would put this deal, and any other potential “side deals,” in writing. However,
 6 according to FE-1, Brown responded that he would only do a verbal deal and would not put anything
 7 into writing. FE-1’s notes from this March 23, 2022 call evidenced this conversation, as FE-1 wrote
 8 down the phrases “cant put in writing” and “could not put in writing only verbal.” FE-1 elaborated
 9 that Brown never wanted to put anything into writing or have his name on anything. A screenshot of
 10 these meeting notes is pasted below:

11
 12 10:42- Jonasa Job Call
 13 Call w/ MIKE H. - 50 MINUTES.
 14 WANTED TO KNOW IF BACKLOG CUT
 IN HALF →
 → SPOILING IT.
 → SAYS IT TOOK 2 WEEKS. THAT
 15 PASSED ON THE VERIZON DEAL -
 WOULD HAVE BEEN \$7M NOW + \$70M NEW YORK
 16 COULD NOT PUT IN WRITING ONLY VERBAL.
 17 WANTED TO KNOW. ABOUT SIDE DEALS.

18 119. FE-1 explained that although TD Synnex did not agree to purchase \$7 million of
 19 Verizon inventory as a part this particular “side deal,” TD Synnex did agree take on other unneeded
 20 Verizon inventory from Extreme in March 2022 as a part of another “side deal.” Although FE-1 could
 21 not recall the exact value of that “side deal,” he recalled it being greater than \$1 million but less than
 22 \$7 million.

23 120. Extreme’s distributors grew frustrated with this abrupt policy shift that stripped them
 24 of their place in the backlog until they agreed to play Defendants’ game. Indeed, according to FE-1’s
 25 notes from a meeting that occurred on March 24, 2022, at 11:00am, Matt Money (a ScanSource
 26 Account Executive at Extreme) said that “Cody at ScanSource not happy – says Jonas [Brown] is a
 27 bully.” FE-1 explained that this referred to Defendant Brown bullying distributors, including
 28 ScanSource.

1 121. Indeed, according to FE-1, when FIFO was blown up at the end of 3Q2022/start of
2 4Q2022, it created a difficult relationship between Extreme and their distributors because the
3 distributors had been expecting product at a certain time, they were no longer going to get it at that
4 expected time, and their product was going to someone else. According to FE-1, based on his
5 conversations with TD Synnex principals (including TD Synnex’s President of Americas) and other
6 distributors, the distributors were furious. FE-1 advised that he had his own Sales Vice Presidents
7 “blowing up” at him.

8 122. However, despite their dissatisfaction, Extreme’s distributors were forced to acquiesce
9 to get the product they wanted. FE-1 provided an example of Westcon and Jenne “playing ball” at
10 the end of 3Q2022 (or March 2022). FE-1 explained that, first, as referenced above, in March 2022,
11 Defendants Rice and Brown made FE-1 propose to TD Synnex to buy a \$40 million package of
12 unneeded inventory. FE-1 described this old inventory as “terrible inventory” that included, for
13 example, older cables and antennas. FE-1 stated that TD Synnex did not ultimately agree to this
14 purchase.

15 123. Indeed, FE-1 reported that after TD Synnex rejected this deal, Westcon and Jenne
16 instead “played along” with Extreme (as the March 16, 2022 notes discussed) and were willing to
17 purchase Extreme’s unneeded inventory in order to move up in line for new product and not be
18 “decommitted.” Consequently, FE-1 stated that Brown “cut a deal with Jenne and Westcon” and sold
19 them the \$40 million of unneeded product at the end of 3Q2022 that TD Synnex would not take on.

20 **2. Extreme Solicits Its Top Distributors For The Scheme With One, For**
21 **Example, Buying \$52 Million Of Unneeded, Returnable Product In**
22 **Exchange For A Prioritized \$50 Million Delivery Off The Backlog**

23 124. After the March 2022 scheme was devised and authorized by Defendants Meyercord,
24 Thomas, Brown and Rice, Extreme’s top distributors Westcon, Jenne, and ScanSource were roped
25 in.

26 125. FE-4 corroborates and provides crucial details about the implementation of
27 Defendants’ scheme described by FE-1. FE-4 was employed by Extreme until December 2022, most
28 recently serving as Senior Regional Distribution Manager operating out of Europe. FE-4 worked
directly with leading distributor Westcon during his employment with Extreme.

1 126. FE-4 described Extreme’s Class Period conduct of prioritizing certain distributors in
2 the backlog line in exchange for the distributor stuffing its channel with unneeded inventory for which
3 the distributor had no purchase orders or commitments. FE-4 described how three of Extreme’s
4 primary distributors in 2022 were Jenne and ScanSource (both primarily in the United States) and
5 Westcon in EMEA. FE-4 explained that Westcon, ScanSource and Jenne had a “very big backlog”
6 throughout the latter part of his tenure at the Company in mid to late 2022.

7 127. However, according to FE-4, Westcon, ScanSource and Jenne were all part of a “deal”
8 initiated in Spring 2022 to prioritize those distributors’ in-demand backlog orders in exchange for
9 their agreement to purchase unneeded or unwanted products. FE-4 provided additional details of this
10 deal that he learned through his relationship with the Westcon Vendor Business Lead. Based on their
11 accounts, this appears to be a deal that was part of the scheme hatched in mid-March 2022.

12 128. FE-4’s Westcon Vendor Business Lead was in charge of every Westcon order placed
13 with Extreme for EMEA, and as part of FE-4’s role at Extreme, FE-4 had a “very good relationship”
14 with the Westcon Vendor Business Lead. They spoke approximately two times per week.

15 129. According to FE-4, the Westcon Vendor Business Lead told FE-4 about a dinner that
16 had occurred in March or April 2022 involving Westcon senior management and Extreme senior
17 management, including specifically Extreme’s CFO, Defendant Thomas. The Westcon Vendor
18 Business Lead, because he was responsible for placing all Westcon orders from Extreme and
19 managed where Westcon’s stock was allocated in Europe, was informed about this dinner, what had
20 been discussed, and what the individuals had agreed to, and told FE-4 about the dinner. According to
21 FE-4, the scheme to prioritize Westcon’s backlog orders in exchange for the purchase of unwanted
22 or unneeded inventory was discussed at that dinner.

23 130. FE-4 explained that, based on his regular discussions with the Westcon Vendor
24 Business Lead as well as other resellers, Extreme was relying on Westcon to clear out Extreme’s
25 obsolete and/or end of life products. According to FE-4, Westcon wanted to fill backlog orders but
26 was forced to buy stock of products nobody wanted to order for the same value as the backlog. As
27 FE-4 explained, in exchange for Westcon’s agreement to buy Extreme’s obsolete and end of life
28

1 products, Westcon was then allowed to receive orders off the backlog before other customers who
2 had priority on the backlog list.

3 131. FE-4 also described one specific, and significant, transaction he could recall with
4 Westcon that occurred as Defendants launched their scheme, shortly after the March/April 2022
5 dinner between Westcon's senior management and Extreme's senior management, and closing
6 sometime between April and end of June 2022 (*i.e.*, 4Q2022).

7 132. According to FE-4, ***in exchange for Westcon being prioritized and receiving \$50***
8 ***million (USD) in products off of the backlog, Westcon agreed to buy unneeded and "end of sale"***
9 ***stock for \$52 million (USD), so it was recorded as a \$102 million (USD) order for a single quarter.***

10 As part of this deal, Westcon was allowed to do a stock return the following quarter or two of most
11 of the \$52 million (USD) order. These "end of sale" products, FE-4 explained, were "not saleable
12 products" such as cables, fans, switches, brackets, etc. Westcon was then allowed two quarters to
13 return those "not saleable products." With respect to the right to return, FE-4 explained that the
14 "general program" at Extreme was that based on how much a distributor purchased, they were
15 allowed to return a certain percentage. FE-4 noted that the percentage of products allowed to be
16 returned was "quite high."

17 133. FE-4 explained that he was confident the dinner between the management of Westcon
18 and Extreme that he previously referenced definitely took place in March or April 2022, and that the
19 \$102 million transaction with Westcon closed shortly thereafter, between April and June 2022 (*i.e.*
20 4Q2022). This is because FE-4 spent the subsequent months following the dinner and the deal telling
21 all of his customers to buy from Westcon because they had the in-demand products off the backlog
22 from Extreme, and he wanted to get sales in before his new commission plan began in the summer.

23 134. FE-4 also explained what type of unwanted and unneeded product Westcon agreed to
24 buy and try (unsuccessfully) to sell. FE-4 recalled that sometime after the deal was closed, the
25 Westcon Business Leader received a "big, big" Excel spreadsheet that was sent to all of Extreme's
26 European Business Managers. The Excel spreadsheet included the list of the \$52 million (USD) stock
27 that largely came from a warehouse in El Paso, Texas, adding that no customers had orders for these
28 products, which were outdated products that "nobody wanted." FE-4 further recalled that the Westcon

1 Vendor Business Lead asked FE-4 to help him get “rid” of the stock acquired in the deal agreed at
2 the dinner because it was “terrible.” FE-4 added that he was unable to sell any of that product to his
3 customers.

4 135. FE-4 recalled being aware of other similar transactions between Extreme and Jenne
5 and Extreme and ScanSource that occurred at the same time as the Westcon deal. According to FE-
6 4, it was his understanding that Extreme’s management had dinners with the management of Jenne
7 and ScanSource during the same week as the dinner with Westcon. FE-4 noted that given that Jenne
8 and ScanSource primarily operated in North America, which was a “much bigger” market for
9 Extreme than Europe, that these agreements were likely significant in value.

10 136. FE-4 went on to say that externally, other customers questioned why Westcon had
11 immediate access to Extreme’s products, sometimes being able to get products the same day, as
12 opposed to the customers who had been waiting for backlog for months or even years.

13 137. FE-1 also reported that Extreme engaged in a similar transaction with Jenne (as well
14 as Westcon) for a similar value of unneeded inventory—approximately \$40 or \$50 million—at the
15 end of June 2022, in order for Extreme to meet its 4Q2022 and FY2022 revenue targets. According
16 to FE-1, Westcon and Jenne engaged in this deal because Extreme *needed \$145 million in shipments*
17 *to make 4Q2022’s numbers.*

18 138. FE-11 (formerly employed by Extreme as an Account Manager from Fall 2022
19 through the end of the Class Period in the EMEA region) also corroborated Extreme’s channel
20 stuffing conduct with Westcon, explaining that Westcon in EMEA was “often” asked to take early
21 shipments, and that Westcon wanted to do this in order to be prioritized in the backlog line.

22 139. Multiple former employees at Extreme further confirm and corroborate that during the
23 Class Period, Defendants implemented undisclosed channel stuffing and other manipulative sales and
24 inventory tactics that were designed to accelerate revenues for Extreme’s products. These accounts
25 establish definitively that these practices were widespread and systemic during the Class Period.

26 140. For example, FE-1 explained that that “everything” was done to make the quarterly
27 numbers, including shipping up to midnight of the final night of a quarter. He explained that Extreme
28 used Freight on Board: Origin as shipping terms, which meant that the sale could be recognized as

1 soon as the shipment was loaded up on a truck at Extreme (the location the shipment was originating
2 from). He added that the Company was willing to pay the shipping costs to make sure the product
3 departed before midnight. According to FE-1, if the inventory left their docks, Extreme would count
4 it as revenue.

5 141. FE-3 was a Senior-level Manager of Pricing at Extreme from before the Class Period
6 to the second half of 2023. FE-3's responsibilities included executing the rollout of pricing and
7 signing off on deals. FE-3 reported into the Finance leadership of Defendant Tate, who reported to
8 the CFO. FE-3 corroborated and explained that it was "*well known internally at Extreme*"
9 throughout his tenure at Extreme that the sales team was "channel stuffing" by pushing distributors
10 to take orders early in order to meet sales goals and earn commission. FE-3 explained that this resulted
11 in extra inventory taken by distributors.

12 142. Additionally, according to FE-3, there were "a lot of pre-orders" that did not have
13 back-to-back purchase orders. FE-3 described a back-to-back purchase order as a mirror image of a
14 purchase order from an end user for the vendor to have and not just the channel partner. FE-3
15 confirmed that he witnessed products being pushed to distributors without end user purchase orders
16 during his tenure, during and into mid-2023 as he left Extreme.

17 143. FE-6 also confirmed that Extreme stuffed distributors during his time at the Company
18 (where FE-6 left in October 2022) and that Extreme also leaned on partners to pull in deals. He further
19 explained that instead of letting deals naturally occur in subsequent quarters, Extreme pulled in deals
20 to make their quarterly number. FE-6 described Extreme's method of pulling in sales as "robbing
21 Peter to pay Paul." FE-6 also explained that certain Extreme distributors received special treatment
22 and always had backlogged products in stock.

23 144. According to FE-6, Extreme would make calls to its partners and distributors routinely
24 at the end of each fiscal quarter and year to pull in sales – about 15 days or so before the end of each
25 fiscal quarter. Similar to FE-1's account, FE-6 further explained that Extreme's method of pulling in
26 deals eventually "catches up to you" when it is done every quarter. FE-6 explained that after a certain
27 period of time customers no longer need product the next time the Company wants to pull a deal in—
28 and when "everyone is tapped out" then there is "panic," corroborating FE-1's account. Likewise,

1 FE-10—who was a Senior Account Executive at Extreme from after July 2023 until April 2024—
2 recalled hearing from upper management that the practice of distributors taking on product without
3 end customer purchase orders was “common practice.”

4 145. In short, these witnesses and former employees described in the preceding paragraphs
5 all consistently explained that leading up to, during, and throughout the Class Period, Extreme
6 channel-stuffed its products to its distributors on a regular quarterly basis in order to inflate its product
7 revenues. These witnesses all explained that these poor business practices could only go on for so
8 long before Extreme’s distributors would simply not be able to take on more inventory into their
9 warehouses. At that inevitable point, revenues would significantly decline as revenues were propped
10 up not by organic demand from the end customer, but by Extreme’s undisclosed sales tactics. Indeed,
11 FE-6 explained that he departed the Company in October 2022 and approximately a year after he
12 departed the Company, in September 2023, the “bottom fell out” (referring to the Company’s revenue
13 decline), and he noticed around that time the stock began to significantly decline.

14 **3. Extreme Formalizes The Scheme To Prioritize Backlog For Those Who**
15 **Stuff Their Channel With Unneeded Product, And The Consequences**
16 **Are Felt By Distributors And Employees During FY2023**

17 146. FE-1 described how, from his vantage point, Defendants immediately implemented
18 these new channel stuffing tactics in 4Q2022 (April – June 2022).

19 147. Ultimately, FE-1 explained that “there was no way, based on customer demand” that
20 Extreme could “naturally” make their revenue guidance to shareholders without making distributors
21 take inventory they did not need. FE-1 recalled that FE-1 and Uraco, his direct superior, discussed
22 how both hoped that someone at Extreme would step in and stop the plan that was first discussed on
23 March 16, 2022, and that Extreme would “stop blowing up FIFO.” But those hopes were quickly
24 dashed, and the new plan was on its way to becoming a regular practice at Extreme.

25 148. Referring to his notes, FE-1 recalled that it was on April 7, 2022, when Uraco called
26 and told him that Extreme’s plan where it “blew up FIFO” was “get[ting] legs” from Director of
27 Purchasing, Fiona Nolan. According to FE-1, Nolan worked in Ireland and reported to Senior Vice
28 President Global Operations Lyon, who reported to Defendant Rice, and it was Nolan’s responsibility
to allocate shipments to distributors in Extreme’s software programs. Before this date, Nolan’s

1 allocation would be automated to FIFO, where those who first executed purchase orders were first to
2 get shipments off of the backlog.

3 149. According to FE-1, on April 7, 2022, Uraco called and described to him an email
4 exchange between Nolan and Defendant Brown in which Nolan agreed with Brown on getting rid of
5 FIFO. According to Uraco, Nolan explained to Brown that she would have a lot of work to do to
6 change priority of orders to distributors because Extreme’s supply chain system was automated, and
7 Nolan and her team would have to go in and “manipulate the system” to decommit distributors.
8 According to FE-1, it was important that inventory to Jenne and Westcon shipped by the end of June
9 because it was the end of Fiscal Year and Nolan needed time to change priorities in Extreme’s system.

10 150. FE-1 went on to recall that, during this same conversation on April 7, 2022, Uraco told
11 him at some point that he spoke with then-CFO, Defendant Thomas, who told Uraco that he did not
12 like how “things” were trending at Extreme and he “wanted to get out of there.”

13 151. Defendants’ new scheme was gaining traction, to the point where Defendant
14 Meyercord acknowledged the new steps the Company was taking during his “Ed Talks.” FE-1
15 advised that, according to his notes, Defendant Meyercord held a quarterly internal “Ed Talk” on
16 April 27, 2022, at 11:00 AM. FE-1 recalled Meyercord saying on this internal company call that
17 Extreme was not going to be able to “unlock backlog” for another year using the Company’s normal
18 practices so they were “taking steps we have not before” on Extreme’s supply chain.

19 152. Those distributors who complied with Defendants’ scheme were rewarded. Indeed,
20 referring to his notes, FE-1 pointed out that Extreme’s Worldwide Shipping Report showed that as
21 of a particular day, June 6, 2022, Westcon was scheduled to receive \$33.62 million of wanted
22 inventory—previously on backlog—shipped that quarter, Jenne was scheduled for \$27.33 million,
23 TD Synnex was scheduled for \$6.31 million, and ScanSource was scheduled to have \$6.15 million.
24 FE-1 reiterated that the disparity between these numbers showed that those distributors (Westcon and
25 Jenne) who agreed to Brown’s buy-in from the previous quarter ending in March 2022 were now
26 “rewarded,” put at the front of line of inventory shipments for that current quarter ending in June
27 2022, and received higher amounts of wanted inventory. Conversely, according to FE-1, distributors
28 who had refused to play Defendants’ game were penalized with smaller inventory shipments.

1 153. On June 10, 2022, FE-1 recalled having another conversation with Senior Channel
2 Executive Matt Money who managed Extreme’s ScanSource account. FE-1 and Money discussed the
3 Worldwide Shipping Report. FE-1 stated Money expressed frustration that, because Westcon and
4 Jenne were playing ball with Extreme, taking on unneeded products and moving up in Extreme’s
5 priority line for desired product, Money lost approximately \$3.2 million for ScanSource. FE-1
6 advised that Money’s previous job just before he was hired by Extreme was with the Company’s
7 distributor, ScanSource.

8 154. After suffering the consequences of refusing to go along with Defendants’ scheme,
9 TD Synnex was forced to change its tune. FE-1, in his contemporaneous notes, recorded TD Synnex’s
10 purchase and inventory metrics in his own abbreviations, noting TD Synnex’s near-daily: (a)
11 inventory levels (reflected as “on hand”), (b) outstanding purchase orders on backlog (reflected as
12 “on PO”), and (c) amount of product TD Synnex actually needed (*i.e.*, outstanding purchase orders
13 minus orders not actually needed and without current end user commitments) (reflected as “neg
14 avail.”). In handwritten notes provided to Lead Counsel, these metrics were recorded by FE-1
15 regularly and showed the impact of Extreme’s scheme to reward the channel stuffing scheme from
16 end of March/3Q2022 to end of June/4Q2022:

	March 31, 2022	June 30, 2022
On Hand	\$37.85M	\$24.05M
On PO	\$85.93M	\$150.6M
Neg Avail.	-\$32.61M	-\$45.51M

22 155. FE-1’s notes reflect that TD Synnex, although not *as* active a participant as Westcon
23 or Jenne in the Company’s efforts to stuff the channel in exchange for priority backlog shipments,
24 nonetheless nearly doubled its orders over the quarter, most of which sat on the backlog, in efforts to
25 secure in-demand products, even though TD Synnex had no demonstrable need for these products.
26 Indeed, of the \$150.6 million backlog attributable to TD Synnex alone at the end of Q4 2022 (as
27
28

1 reflected in FE-1's notes), TD Synnex only had need for less than third of that amount and already
2 had over \$24 million of inventory sitting on its shelves.

3 156. FE-1's notes are consistent with his own recollection of TD Synnex's activity in
4 4Q2022, prior to his departure from the Company. FE-1 explained that he also recalled that at one
5 point during his tenure, in June 2022, TD Synnex had \$150 million to \$200 million on backlog
6 purchase order.¹² FE-1 stated that Defendant Brown then said that if TD Synnex bought \$20 million
7 of *another* product in the quarter, TD Synnex would get to "keep its place in line" in the backlog
8 line. If TD Synnex did not buy that product, Extreme would shift inventory to distributors who would
9 "play ball." According to FE-1, TD Synnex would then buy product it did not need to keep its place
10 in line. According to FE-1, this meant that where TD Synnex's inventory of Extreme products that
11 needed to be sold on to end users used to contain roughly 28 days of supply, as a result of these
12 practices, by the time FE-1 left Extreme by August 2022, TD Synnex *had 100-200 days of supply*.

13 157. While FE-1 left Extreme in August 2022, the leveraging of the backlog to stuff the
14 channel continued. As an example, FE-4 believed, based on conversations with an Extreme customer,
15 that Westcon had participated in Defendants' scheme again. FE-4 explained that after he left Extreme,
16 he attended a summer party in 2024 and spoke with a smaller Nordic distributor, responsible for
17 Sweden, Norway, and Denmark. FE-4 said that he apologized to this distributor, who had not been
18 allocated desirable product off the backlog when FE-4 was at Extreme, and stated that he hoped his
19 time at Extreme did not hurt the distributor because it did not receive any allocation of product. FE-
20 4 continued to explain that he informed that distributor that it was not his decision but the decision
21 of Extreme to not provide product to this particular distributor.

22 158. FE-4 further explained that the distributor informed him that this period in 2022 was
23 not the only time that large distributors, such as Westcon, received all of the new and desired product.
24 FE-4 recounted that that distributor explained that customers had continued canceling orders with
25 them because they were able to obtain the desired products, both new and old, from Westcon, who
26 once again had been given priority by Extreme. According to FE-4, this indicated that Westcon had

27 _____
28 ¹² FE-1's notes reflect that TD Synnex's backlog increased up to \$156.3 million on June 21,
2022, ending the quarter at \$150.6 million on June 30, 2022.

1 participated in an additional similar arrangement or arrangements with Extreme as he had described
2 in 2022 again in 2023 or 2024.

3 159. FE-7 further corroborates the pervasive nature of Defendants' scheme. FE-7 recalled
4 that the Company ceasing to fulfill product orders on a first in first out basis and allowing customers
5 to jump the line based on their willingness to purchase other products was Extreme's "modus
6 operandi." FE-7 further explained that, through conversations with sales colleagues, it was apparent
7 that this was "clearly" how sales at Extreme worked. FE-7 explained that customers being rewarded
8 for placing early orders and leveraging distributors to make large orders, in light of Extreme having
9 difficulty meeting revenue targets at the end of each quarter, was "exactly what took place" in mid-
10 2022 and throughout his tenure at Extreme (until his exit in 2023). FE-7 added that order fulfillment
11 on a first in first out basis was only done if it "served" Extreme.

12 160. According to FE-7, at an ELT meeting, "everyone knew what the marching orders
13 were" when it came to these specific sales tactics and he knew that the "orders had to come from
14 somewhere" in the ELT.

15 **4. Defendants Engage In Efforts To Sustain The Channel Stuffing Scheme**
16 **By Preventing Distributors From Returning Or Rotating Their**
17 **Overstuffed And Unneeded Inventory**

18 161. One of the inevitable consequences of Extreme's newly launched channel stuffing
19 practice was that the Company's distributors, while purchasing tens of millions of dollars of
20 unneeded, end of sale products in exchange for backlog prioritization, were contractually allowed to
21 return or rotate out large quantities of that unneeded stock in the quarters following the sale. When
22 returned or rotated, that "contra" revenue would negatively impact Extreme's revenues and accounts
23 receivable and create an even larger revenue gap to be filled in the following quarters. This is a classic
24 hallmark of a channel stuffing regime: the practice accelerates revenue recognition by pulling sales
25 forward and providing a short-term boost to a company's bottom line for the immediate quarter (at
26 the expense of future quarters). While there are different ways to stuff a channel, including by offering
27 lucrative incentives like discounts, rebates, and extended payment and return terms to distributors
28

1 and retailers in exchange for the ability to send them unneeded inventory, the result is almost always
2 the same: long-term negative consequences like sales and revenue shortfalls in future periods.¹³

3 162. Extreme told investors in its annual reports that its distributors were allowed “limited
4 stock rotation rights” whereby they were “given the right to return a portion of inventory to [Extreme]
5 for the purpose of stock rotation, to claim rebates for competitive discounts and participate in various
6 cooperative marketing programs to promote the sale of our products and services.” However, those
7 stock rotations and other product returns were recorded in Extreme’s *Allowance for Product Returns*
8 at the end of each fiscal year. Throughout the Class Period, Defendants reported to investors that
9 “[t]here have not been material revisions to the estimated product returns for any periods presented,”
10 despite the new channel stuffing scheme that was pulling in tens of millions of dollars based on sales
11 of unsaleable, unwanted stock that was accompanied by liberal return and rotation rights, as described
12 above. And Extreme certainly did not disclose that Extreme’s customers could return or rotate
13 product only until *after* the immediate quarter’s fiscal results were reported, which inflated the
14 revenue results therein.

15 163. As distributors looked to rotate and return unsaleable stock in the quarters following
16 the scheme’s 4Q2022 implementation, Defendants likely realized that a stark increase in product
17 returns would invite considerable scrutiny that would threaten unveiling the scheme. Former
18 employees describe how Extreme, at Brown’s direction, attempted to stop or slow distributors from
19 returning or exchanging Extreme product in a given quarter—even though they were contractually
20 allowed to rotate this product—so that the return or rotation did not hit that quarter’s revenue
21 numbers.

22 164. Specifically, as to the stock rotation agreements, FE-1 explained that Extreme’s
23 contracts with its distributors included a clause where once every quarter, the distributor (e.g., TD
24

25 ¹³ Although channel stuffing schemes, by their nature, cannot be sustained forever, there is no
26 prescribed bright-line rule governing their duration given that companies may engage in a host of
27 tactics to sustain and conceal the channel stuffing. A 2011 study looked at 90 companies that had
28 engaged in channel stuffing over eleven years, and noted that 63% of those stuffing practices were
active for 5 quarters or less, the remaining 30% continued for 6 to 12 quarters (1.5 – 3 years), and 7%
continued for over three years. Somnath Das, et al., *Detection of Channel Stuffing*, FORENSICS ACCT.
J., at 34 (May 2011), available at <https://care-mendoza.nd.edu/assets/151939/helenzhang.pdf>.

1 Synnex) could rotate 15% of the inventory, based upon the prior quarter’s receipt of Extreme product.
2 As an example, FE-1 explained if TD Synnex agreed to take \$10 million of unneeded / un-demanded
3 inventory in one quarter from Extreme, the next quarter, TD Synnex could rotate up to \$1.5 million
4 back to Extreme. According to FE-1, the “sentiment” behind all of this was that Extreme would tell
5 distributors that it can stuff its channel with this inventory for this quarter, with the understanding
6 that the distributor could return a portion of it the next quarter. In the example of the \$102 million
7 Westcon transaction in 4Q2022, assuming the same 15% rotation allowance, Westcon would be
8 allowed to rotate out \$15.3 million of the unwanted stock the next quarter.

9 165. Notably, Extreme shipped unwanted and “outdated” inventory to distributors—
10 recognizing it as shipped revenue—with the promise that the distributors would then be able to return
11 a portion of it in later quarters under a “stock rotation” plan. As just one example, FE-1 stated that
12 the Company tried to offload “Brocade” hardware—even though Brocade’s technology could no
13 longer manage streaming requirements—onto TD Synnex, under the pretense that TD Synnex could
14 always just return the product in a stock rotation.

15 166. Sometimes, distributors were allowed more than one quarter for returns and were not
16 limited to rotating just 15% of a sale. Indeed, according to FE-4, the European distributor Westcon
17 (one of Extreme’s top three global distributors by revenue) was allowed up to two quarters to return
18 Extreme’s “not saleable products.” And according to FE-6, distributors took on product and then in
19 *six months* it needed to be returned for a “refresh.”

20 167. This “right of return” and stock rotation clause thus incentivized distributors to take
21 on unwanted product that did not reflect true organic demand from end users, with the intended result
22 of boosting Extreme’s revenues for the immediate quarter. While a portion of the inventory could be
23 returned by the distributors, that would not be done until after Extreme’s fiscal quarter results were
24 reported.

25 168. However, to maximize revenues and avoid detection, Extreme renegeed even on this
26 stock rotation plan during the Class Period. According to FE-1, Defendant Brown often renegeed on
27 honoring Extreme’s 15% stock rotation agreement stated in the distributors’ contracts. According to
28 FE-1, Defendant Brown renegeed on that clause by not allowing the distributors to exercise their

1 contractual rights to return the product. This included, instead of honoring the 15% rotation amount,
2 Defendant Brown often only agreed to go as high as rotating 5% of recently purchased inventory, as
3 an example. FE-1 added that Defendant Brown often also reneged on the 5% and would delay the
4 rotation as long as he could.

5 169. FE-1 indicated that reneging on the 15% rotating inventory (and even 5%) allowed
6 Extreme to report inflated numbers to shareholders, while it created “continued distrust” in the
7 distributor’s relationship with the Company. Based on FE-1’s recent conversations with executives
8 at one of Extreme’s distributors, FE-1 advised that the rotating inventory clause in their contract with
9 Extreme has been reduced from around 15% to 5%, and as of early 2025, Extreme was still refusing
10 to meet that obligation.

11 170. FE-1 additionally explained that every week the distributors were given inventory lists
12 by Extreme. FE-1 also explained that Extreme *receives* weekly inventory demand reports from its
13 distributors and also a pipeline report which shows what is forecasted, and that these reports had
14 visibility into the end user and reseller demand. According to FE-1, from these reports, Extreme
15 could see what the “true real demand” was from the reseller / end user to the distributor. FE-1
16 explained that nonetheless, Extreme pushed its distributors to buy additional inventory regardless,
17 even when there was no demand downstream. He added that Extreme ignored their distributors’
18 actual demand from their own resellers and end users, and what was on order. Extreme continued to
19 push inventory to the distributors that they did not need, and did not allow them to cancel or return
20 the inventory. FE-1 described these practices as “allowing Extreme to own the distributors’ business.”

21 171. Defendant Brown’s efforts to stall or eliminate product returns as a policy matter at
22 the end of 4Q2022 were memorialized in a set of June 2022 emails and IM chats sent or copied to
23 FE-1. As referenced below, *infra* Section IV.C.5, FE-1 forwarded these emails on to Defendant
24 Thomas as part of his Company exit interview in July 2022.

25 172. One email with the subject “Policy add to our Program Guide” was written by
26 Defendant Brown on June 30, 2022, and addressed to a group of employees at Extreme—including
27 Defendant Rice; FE-1’s boss Uraco; Senior Vice President Sales Strategy, Business Development,
28 and Operations Cleaver; Director of Purchasing Nolan and Director, EMEA Distribution John

1 Campbell. In this email, according to FE-1, Brown proposed a new Company-wide policy intended
2 to prevent distributors from returning unwanted product, which was their contractual right. In the
3 email, Defendant Brown proposed that the following policy be added to Extreme’s distribution
4 program guidance, which provided a framework for the language used in Extreme’s distribution
5 contracts: “If a Distributor stock rotates a specific product, they are no longer eligible to re-order
6 ‘said’ product for the next 12 months.” In that email, Defendant Brown further stated that he was
7 “not concerned about policing this new policy. ***Having it in there will be a deterrent and drive the***
8 ***behavior we want.***”

9 173. FE-1 explained that this policy would make it so that if a distributor returned product,
10 then it would not be able to buy it—or the product’s newer versions—again for 12 months even if,
11 for example, demand for the product increased and the distributor needed to restock.

12 174. FE-1 recalled Extreme’s “legal person” Inger Laws¹⁴ telling Jonas Brown this practice
13 was “not legitimate.” FE-1 recalled that while Brown was rebuffed in making it written policy, he
14 still attempted to enforce it with distributors. FE-1 reiterated that Brown was “running out of tricks”
15 to the point where he was suppressing the ability of his distributors, some of which are publicly traded
16 companies, to return products based on their agreements.

17 175. FE-1 also explained that by not allowing or at least making it difficult for distributors
18 to rotate their inventory once a quarter, Extreme inflated their revenue numbers. According to FE-1,
19 the reason for this change was that if the distributor returned product, it was a “hit” against Extreme’s
20 revenue. FE-1 explained that vendors often wanted to ship back inventory that had been in their
21 warehouses for months because it was depreciating in value and negatively affected the distributor’s
22 own profitability.

23 176. FE-1 forwarded Brown’s June 30, 2022 “Policy add to our Program Guide” email to
24 Defendant Thomas on July 20, 2022—just days before the Class Period—and directly informed
25 Defendant Thomas that Defendant Brown “***works with the distributors to buy bad product that is***
26

27 ¹⁴ Inger Laws served as Extreme’s Director, Associate General Counsel from May 2019 to June
28 2023. Before that, she served as Senior Director, Corporate Counsel at TD Synnex (September 2017
to April 2019) and Associate General Counsel of Westcon (December 2011 to September 2017).

1 **not sellable to make the corporate number and then artificially suppresses them from rotation [of]**
 2 **bad product to order good product.** He basically wants to punish or threaten them that if they return
 3 anything, he will not allow them to buy it again for 12 months.... He basically admits having it there
 4 will get the behavior he wants and deter them ... from managing their own finances and inventory.”¹⁵

5 177. In the same July 20, 2022 email to Defendant Thomas, FE-1 also attached numerous
 6 other documents and emails that support the fact that Extreme engaged in channel stuffing conduct
 7 with the distributors—most specifically evidencing the existence of the stock rotation plan and the
 8 right of return with distributors. These documents included the following:

- 9 • One IM conversation in which Defendant Brown stated “[w]e forecasted \$3M
 10 for TD [Synnex] to rotate – they submitted \$6.8M. That is a HUGE problem
 11 for all of us. Josh may have tanked our quarter. I need a plan on how we reverse
 12 this . . . if not, our conversion rate will spike, and our auditors will be all over
 13 us.”¹⁶
- 14 • Another IM conversation in which Defendant Brown asked FE-1 whether TD
 15 Synnex was “willing to part ways with [its stock rotation clause] for 6+
 16 months?” The discussion concerned a stock rotation submission from TD
 17 Synnex for 3Q2022, and Defendant Brown commanded FE-1 that “you need
 18 to look at what they [TD Synnex] want to rotate and challenge them when it
 19 makes sense,” stating “we have massive supply challenges . . .”
- 20 • A screenshot of contemporaneous notes from FE-1’s notebook (dated
 21 sometime in 3Q2022), indicating that TD Synnex submitted a stock rotation in
 22 2Q2022 and that as a result, Defendant Brown wanted to “punish them”—
 23 referring to TD Synnex. Specifically, Defendant Brown wanted to give them a
 24 “bloody nose.”

25 178. Extreme was ultimately successful in stalling for at least a few quarters at least some
 26 of the contractually promised stock rotations and returns for the newly stuffed product. For fiscal
 27 years 2022 and 2023, Extreme reported product return deductions of \$64,745,000 and \$88,936,000,
 28 respectively. However, for fiscal year 2024, after the end of the Class Period, Extreme reported an
 incredible \$131,950,000 in product returns, nearly 20% of the Company entire product revenues for
 the entire year.

¹⁵ Ellipsis in original.

¹⁶ Ellipsis in original.

1 **5. FE-1 Resigns And Directly Informs Defendant Thomas (And Others)**
2 **About The Company’s Channel Stuffing Practices**

3 179. FE-1 resigned from Extreme as a result of the unethical behavior he witnessed. FE-1
4 found the pressure exerted on Extreme’s distributors to be “embarrassing” and “unethical.”

5 180. On or around July 11, 2022, FE-1 handed in his two weeks’ notice, which he sent to
6 his direct superior, Uraco. FE-1 recalls that date because it was on or about the same day that
7 Defendants Meyercord and Brown (and others) were meeting with ScanSource executives in
8 Greenville, South Carolina. FE-1 recalled that this ScanSource meeting took place after ScanSource
9 did not agree to a “big deal” with Extreme because they had previously done a handful of large
10 different deals where they held onto inventory at the request of Brown to “only get screwed” by
11 Brown in refusing to allow them to return the inventory. FE-1 believed that Defendant Meyercord,
12 Scott Peterson, Defendant Brown, and Matt Cleaver were present at this in-person meeting, along
13 with Matt Money, who was in charge of the ScanSource account. FE-1 recalled that Joe Uraco was
14 supposed to have attended this meeting but could not because he was ill.

15 181. FE-1 recalled that Brown had wanted to fire him immediately after he gave notice,
16 saying that Brown thought FE-1 may say negative things about Extreme to the distributors as
17 retaliation. According to FE-1, his Human Resources Manager told FE-1 that he was not fired and
18 could finish out his last weeks.

19 182. FE-1 recalled that shortly after he gave notice (but before the Company’s earnings
20 release on July 27, 2022), he had an exit interview with then-CFO, Defendant Thomas, Executive
21 Vice President of Global Human Resources Kimberly Basnight, and FE-1’s Human Resources
22 Manager.

23 183. As noted above, during that exit interview, FE-1 discussed with Thomas specific
24 examples of channel stuffing and manipulative practices, and followed up on July 20, 2022 by
25 sending Thomas emails and documents supporting that discussion. Of course, given that FE-4
26 identified Defendant Thomas as having directly participated in the earlier dinner with Westcon’s
27 senior management (and possibly with Jenne’s and ScanSource’s senior management) during which
28 the plan to stuff the channel in exchange for prioritization off of the backlog was implemented (*supra*

1 Section IV.C.2), none of what FE-1 reported to him was likely new information to Defendant
2 Thomas.

3 184. Specifically, FE-1, in one email to Thomas, wrote: “I greatly appreciate you wanting
4 to know the truth about what is going on...[d]uring our conversation, I referenced several specific
5 and detailed issues and encounters.” In that email, FE-1 also stated that Defendant Brown, through
6 his effort to alter the distributor return policy, **“works with the distributors to buy bad product that
7 is not sellable to make the corporate number and then artificially suppresses them from rotation
8 [off] bad product to order good product.** He basically wants to punish or threaten them that if they
9 return anything, he will not allow them to buy it again for 12 months.... He basically admits having
10 it there will get the behavior he wants and deter them ... from managing their own finances and
11 inventory.”¹⁷

12 185. FE-1 had separate one-on-one exit interview calls in July 2022, respectively with
13 Defendant Thomas, Executive Vice President of Global Human Resources Kimberly Basnight, and
14 Senior Director of Human Resource, Jim Johnson. In these exit calls, FE-1 explained the unethical
15 channel stuffing and manipulative sales and inventory conduct that he witnessed, to each individual.
16 Notably, FE-1 explained that he never heard back from Basnight after Basnight said in the call that
17 she needed to process this feedback. Furthermore, FE-1 stated that Johnson’s response was that he
18 was “not shocked” about Defendant Brown’s alleged behavior. And, according to FE-1, Defendant
19 Thomas asked FE-1 if he was leaving because of a new opportunity or if there was a problem in the
20 Company, to which FE-1 responded “both.”

21 186. Notably, FE-1 explained that he spoke with a former Extreme colleague in early 2024.
22 That former colleague had spoken with Defendant Thomas sometime after Defendant Thomas left
23 the Company (in February 2023). FE-1 explained that the former Extreme colleague had told him
24 that in this particular conversation, Defendant Thomas stated that he thought he should have done
25 something about the information that was presented to him, but Defendant Thomas stated “he was on
26 his way out” anyway.

27
28 ¹⁷ Ellipsis in original.

1 187. Furthermore, Defendant Thomas, in that conversation with FE-1’s former colleague,
2 explained to the colleague that he (Defendant Thomas) had been pressured by Defendant Meyercord
3 to change how certain statements in presentations were worded when he (Defendant Thomas) was
4 preparing to speak on quarterly investors calls, which Defendant Thomas regretted doing so.
5 According to FE-1, Defendant Thomas told FE-1’s former colleague that he left Extreme because he
6 “wanted out.”

7
8 **6. Extreme Engaged In Channel Stuffing With Partners And Resellers
During The Class Period, In Addition to Distributors**

9 188. Extreme not only engaged in channel stuffing and other manipulative inventory and
10 sales practices with its distributors, but it did so with its partners/resellers as well. Importantly,
11 because products that shipped to either its distributors or partners/resellers were counted as revenues
12 at the time of shipment, Extreme’s early shipments to its partners also misleadingly accelerated and
13 therefore inflated revenues.

14 189. In this manner, similar to the Defendants’ conduct with distributors, Extreme’s
15 revenue growth story that Defendants portrayed was not indicative of true organic demand, but rather
16 was indicative of Defendants’ unsustainable and accelerated sales tactics that robbed from one quarter
17 to prop up another, creating for that period a misleading representation of organic demand and
18 sustainable growth.

19 190. FE-2 confirmed that he witnessed and experienced “channel stuffing” conduct occur
20 with Extreme’s partners in fiscal year 2023, which was during his tenure as Director of Sales, where
21 he worked in the “largest revenue producing region in the Americas.” FE-2 worked mostly with
22 partner accounts, although FE-2 confirmed that he had been told that the channel stuffing conduct
23 was occurring with the Company’s distributors. According to FE-2, Extreme recognized revenue
24 when product shipped from Extreme to a distributor or partner.

25 191. FE-2 explained that with respect to Extreme’s partner sales, inventory is normally
26 shipped by Extreme to the partner only when there is an end user purchase order placed. In other
27 words, the end user signing a purchase order triggers the sale, and the product ships thereafter and
28

1 should only then be recognized as revenues. Indeed, as FE-5 explained it, no inventory should be
2 moved without a purchase order from the end user.

3 192. Specifically, FE-2 described witnessing how, at the end of each fiscal quarter, Extreme
4 would ship inventory to Extreme's partners knowing that those partners did not have a customer
5 purchase order, *i.e.*, a "customer commitment," from the end user. This practice conflicted with
6 Extreme's policy of shipping to partners only when there was an end user purchase order in place.
7 According to FE-2's experience, the described channel stuffing conduct with Extreme's partners was
8 a "regular" practice at Extreme and occurred often during his tenure. While there were times prior to
9 fiscal year 2022 that Extreme engaged in this practice, in FE-2's experience, this practice worsened
10 in fiscal years 2022 and 2023.

11 193. According to FE-2, when he was personally directed to ask partners to take early
12 inventory, it was without a customer order existing or even an expectation that a customer order was
13 coming soon. In some situations, the partner was asked to send their own purchase order, but FE-2
14 explained that this was a partner purchase order not based on an actual (end) customer order.

15 194. According to FE-2, distributors and partners were incentivized to take on inventory
16 early to help Extreme meet its quarterly goals. FE-2 explained that the usual incentive offered to the
17 partners to take inventory early was a discount of "one or two points," meaning 1% or 2%, "on
18 margin." This included discounted margins, of usually 1% or 2% as part of Extreme's rebate program.
19 FE-2 explained that backend rebates were offered to partners if they "pulled-in" an order (that is,
20 took early inventory) when Extreme asked them to. FE-2 explained that he was directed to offer
21 partners an additional 2% in rebates on an order if they took at least \$1 million worth of inventory
22 early. With this particular incentive program, Extreme's partners received a monetary incentive to
23 take on the inventory early. Additionally, FE-2 explained that this practice not only caused partners
24 to buy product they did not need at the time, but it was also to the detriment of Extreme because
25 Extreme gave up revenues that could have later been realized without the 1-2% discount through
26 backend rebates.

27 195. FE-2 added that this was done specifically to help meet quarterly goals, recalling that
28 he was told a number of times by David Savage, Vice President of Sales and Senior Director of

1 SLED¹⁸ Sales for all of the United States, that other Extreme departments were not making their
2 numbers so SLED had to make up the difference. He added that these end-of-the-quarter shipments
3 that were not based on customer orders were, based upon his understanding, *recognized as revenue*
4 *to make Extreme's quarter look more profitable than it had been in reality*, because the Company
5 cannot recognize revenues until the product ships.

6 196. FE-2 explained that Savage directed all of the 4 or 5 regions under his purview (which
7 encompassed the entire United States) to make the same end-of-quarter requests that he made to FE-
8 2, and FE-2 explained that it was his understanding that the practice was going on with other Extreme
9 employees who dealt with the distributors. FE-2 recalled Savage on calls directing him and the other
10 directors who reported to Savage to “go find deals” at the end of each quarter, meaning to have
11 partners pull in early inventory. Indeed, FE-2 was able to locate a June 6, 2022 email that exemplifies
12 this normal communication (not always in writing), which he shared with Lead Counsel, where
13 Savage asked FE-2, “*What else can you pull in from next fy [fiscal year] to cover some or all of*
14 *this?*” As the Extreme fiscal year closed at the end of that June, Savage was asking about what sales
15 FE-2 could “pull in” from FY2024 that began on July 1, 2023.

16 197. FE-2 described the push on channel partners to take extra inventory as a “regular
17 occurrence,” and recalled that it was around every other quarter (“two of every four quarters”) where
18 he and other SLED Sales Directors were directed by Savage and Extreme “management” to ask
19 partners to take inventory early and “pull in everything you can to help us make the numbers” in
20 amounts that were always at least \$1 million in value. FE-2 explained that some of Extreme’s partners
21 had warehouse space, while others who did not could rent warehousing space from distributors.

22 198. FE-2 explained that management’s requests to “pull in everything” really started
23 picking up after 2022. As evidence of this, FE-2 referenced a June 29, 2023, email from David
24 Savage, where Savage directed FE-2 to “get creative” in trying to pull in as much as he can before
25 the quarter ended.

26
27
28 _____
¹⁸ Referring to “State, Local, and Education.”

1 199. According to FE-2, the directives were to make some deals and ask partners what
2 incentives Extreme could offer to pull in order *without* customer / end user purchase orders (“POs”).
3 FE-2 explained that with many of the pull ins, Extreme was requesting and accepting POs on
4 inventory from the partner, like PC Solutions, without the partner having a corresponding PO or
5 written commitment from the end user on the parts.

6 200. FE-2 recounted how he did not feel comfortable pushing extra inventory on a partner
7 without a purchase order but that this practice was happening often and at the direction of Savage
8 and “management.”

9 201. FE-2 recalled that the magnitude of the push to take on inventory worsened when,
10 around early or mid-2022, Savage was “making promises to customers he could not keep” on
11 inventory, which he had no control over, in order to secure orders. He specifically recalled Savage
12 making promises on a school district deal where he guaranteed the delivery dates in order to secure
13 the order. FE further recalled that Savage wound up “stealing stock” from another order that was
14 ahead of the school district in order to fulfill that order, adding that he believed this “came back to
15 haunt” Savage.

16 202. Notably, FE-2 estimated that he was directed to incentivize partners to take around \$2
17 million to \$3 million worth of early inventory each year. FE-2 also explained that the millions of
18 dollars of inventory that were shipped early were on his orders on his accounts alone, and explained
19 that it was much more in total when extrapolating to include FE-2’s colleagues who were also directed
20 by Savage to offer incentives for their own partners and distributors accounts to take early inventory
21 and pull-in sales.

22 203. FE-2 further explained that this practice “exhausted demand from the future,” and that
23 FE-2 complained about it all the time, because it hurt the sales teams that FE-2 worked with—
24 because, according to FE-2, there is “not an infinite amount of deals” out there to close and pull-in.
25 FE-2 further described that the quotas and targets for the next quarter did not decrease, so by pulling
26 in the sales into the present quarter, it became difficult to meet the targets for the future quarters.

27 204. FE-6 also corroborates these allegations regarding Extreme’s channel stuffing with its
28 partners. FE-6 was a Senior Account Manager at Extreme from July 2017 to October 2022. During

1 different points of his tenure at Extreme, FE-6 reported to either David Savage or to FE-2. FE-6 also
2 worked as part of the SLED department, and except for the K-12 segment of SLED,¹⁹ he worked with
3 both distributors and partners throughout his tenure.

4 205. FE-6 explained that, as an example, a deal would be developing organically to close
5 in approximately three months and, before the end of the quarter or before the end of the fiscal year,
6 he was instructed to pull in the sales early. According to FE-6, he was instructed to “offer more points
7 [greater discount percentage]” and to do “whatever you need to do” in order to help Extreme meet
8 their numbers.

9 206. According to FE-6, Defendant Rice directed the pulling in of sales, based on FE-6’s
10 personal experience on a call that included both FE-6’s partner and the end customer—attempting to
11 get both the partner and the customer to accept a multi-million dollar deal. According to FE-6, he
12 heard of other scenarios where Defendant Rice would pull-in sales and where partners and customers
13 would take the inventory. According to FE-6, “we all knew where it was coming from,” referring to
14 Defendant Rice.

15 207. FE-2 provided specific channel stuffing transactions that occurred during June 2023,
16 at the end of FY2023, with partners PC Solutions and Synergetics, and also described similar deals
17 with Step CG.

18 208. First, FE-2 recalled a channel stuffing transaction in June 2023 involving Synergetics.
19 Synergetics was a reseller for school districts mainly in Alabama and Mississippi and has since
20 merged into Endeavor Communications, which purchased Synergetics in 2020. FE-2 recalled Savage
21 directing on a conference call that they make the Synergetics deal happen, meaning to get the partner
22 to take inventory they did not need. FE-2 described Synergetics as willing to pull in early orders for
23 incentives even though they did not have customer purchase orders. FE-2 believes that the
24 Synergetics deal was for some amount over \$700,000,²⁰ as reflected in emails and document FE-2
25 sent to Lead Counsel.

26
27 ¹⁹ *I.e.*, the K-12 grades of the Education section of SLED.

28 ²⁰ FE-2 advised that whenever an opportunity in Salesforce closes, it normally says “Deal Booked.”

1 209. Second, FE-2 described in great detail a specific incident of channel stuffing during
2 the Class Period that involved channel partner PC Solutions. According to FE-2, in June 2023, Savage
3 directed FE-2 to ask channel partner PC Solutions to take around \$1.5 million worth of inventory by
4 the end of that month without a confirmed customer (or end user) purchase order or written customer
5 commitment to meet revenue targets for Q4 2023/FY2023.

6 210. FE-2 explained that Savage directed him to ask PC Solutions to take the \$1.5 million
7 inventory in June 2023 because that partner had a warehouse in Miami, Florida and was one of the
8 few partners that either had warehousing or a good amount of it. Ultimately, PC Solutions pulled in
9 approximately \$1.5 million worth of products for four of its school customers: Banks, Commerce,
10 Glynn, and Manatee.

11 211. According to FE-2, there was no indication at that time that PC Solutions was going
12 to be awarded the end-user purchase order, so he was hesitant to force them to close the deal. FE-2
13 explained that he refused to pull in these deals because (i) he perceived it as unethical and (ii) Extreme
14 had done this to PC Solutions at least once previously and in that previous occurrence, *the purchase*
15 *order never came*, and PC Solutions was stuck with the inventory for a *year*.

16 212. FE-2 explained this transaction to Lead Counsel and corroborated his account with a
17 series of emails documenting these events. The emails provided to Lead Counsel paint a vivid picture
18 of the pressure FE-2 was under to convince PC Solutions to pull in inventory that was not currently
19 needed to make revenue targets. In an early June 2023 email exchange between FE-2 and Savage that
20 was prompted by a June 2, 2023 call between the two, they are discussing opportunities for sales by
21 PC Solutions to “pull in early for June.” In the initial emails on June 2, 2023 – June 5, 2023, with the
22 subject line “Opps requesting PCS of FL to pull into June,” FE-2 told Savage that the PC Solutions
23 contact was hesitant as “he’s already maxed out on his rebates for the period” and was “probably[]
24 waiting for us to come back to him with some sort of extra incentive” in exchange for the order.²¹

25 _____
26 ²¹ Regarding “maxed out on rebates,” FE-2 explained that the rebate program is a partner
27 program. There are at least three partner tiers—Silver, Gold, Diamond—and each one gets a certain
28 amount in rebates back based on how much the partner sold that quarter. For example, Diamond tier
is for maybe making \$5 million or above in sales for the quarter and Gold is \$1 million or above. If
you reach the Diamond tier then you can get \$20,000 back in rebates as an example, and \$10,000

Footnote continued on next page

1 FE-2 further explained that “the customers I believe are OK with just placing these orders once their
2 funding comes out in July/August. Obviously that doesn’t help us/Extreme. That’s why [PC Solutions
3 contact] doesn’t really care about placing these orders now, unless he has a financial incentive,
4 because I don’t believe the customers are in desperate need.”

5 213. FE-2 sent a later email to David Savage on June 6, 2023, forwarding an email about
6 these two deals he sent to two individuals who reported to FE-2 and covered SLED sales in Georgia
7 and Northern Florida, indicating the two individuals agreed that PC Solutions does not have a
8 “compelling reason,” outside of financial incentives, to pull in these deals early because one end user
9 customer did not even have its budget “until after July 1st and they don’t need the gear for several
10 months” and another won’t even “get their internal funding until sometime next FY but does not
11 know when that will be yet.” As a result, the PC Solutions agent “isn’t in desperate need to get the
12 equipment right now.” In response to that email, that same day, Savage asked FE-2 to see “*What else
13 can you pull in from next fy to cover some or all of this?*”

14 214. According to FE-2, Savage had been “riding me hard,” had become increasingly
15 “belligerent” behind the scenes, and was “making my life miserable.”

16 215. Savage did not let up, and the efforts to get PC Solutions to “pull in” over \$1.5 million
17 of unneeded inventory without a purchase order continued at the end of June 2023. In a series of
18 emails in the last week of June, other senior Extreme executives became involved in efforts to close
19 a deal with PC Solutions—Laura Buttimer (“Buttimer”), Senior Channel Account Executive and
20 Flansbaum, Distribution Partner Account Manager.

21 216. In emails titled “PC Solutions Order Update,” FE-2, Savage, Buttimer, and Flansbaum
22 emailed about discussions with the PC Solutions account contact, and what type of incentives and
23 discounts could be offered in order for PC Solutions to take *between \$1.4 million and \$1.6 million*
24 in deals for different schools and school districts. In this email exchange, FE-2 wrote on June 26,
25 2023, that he felt that the “*increased discount levels on these deals*” were “*too excessive.*”

26
27 back if you reach Gold. In the situation described above, PC Solutions had already maxed out their
28 rebate for that quarter and wanted additional incentives to take the inventory from Extreme they did
not need. PC Solutions wanted Extreme to either lift the rebate cap for that quarter or hold it and apply
it to the next quarter, which was going to be Q1 of the new FY.

1 217. According to FE-2, he felt the increased discounts were “too excessive” because they
2 set a bad precedent. He recalled how through such previous types of precedents, PC Solutions had
3 learned to wait until the end of a quarter to place their orders because that is when Extreme would
4 get desperate to give them better deals. He added this practice of waiting to the end of a quarter to
5 get extra discounts under pressure hurt “linearity,” explaining that ideally a vendor like Extreme does
6 not want 90% of their orders coming in the final month. Instead, Extreme wants around 25% of orders
7 to arrive in the first month of a quarter and 50% by the end of month two, so that there is less burden
8 on Extreme in the final month of the quarter.

9 218. On June 29, 2023, the day before the close of 4Q and FY2023, Extreme was still trying
10 to find a way to close a deal with PC Solutions “by end of June” for about “\$1.9M all-in.” That
11 morning, Savage emailed FE-2 and said “we need as much as we can get in today and tomorrow”
12 and encouraged FE-2 to “*get creative*” with PC Solutions. FE-2 indicated to Savage that he had
13 “called in some ‘reinforcements’”. What he meant was that he had, that morning, emailed Senior
14 Vice President Sales Strategy, Business Development, and Operations Matt Cleaver—who FE-2
15 advised was the head of Global Sales Operations at that time—and asked if he (Cleaver) could make
16 the request to PC Solutions. FE-2 recalled that Cleaver was Extreme’s interim-CFO for a brief period
17 of time, pre-COVID, and FE-2 described himself as having a close working relationship with Cleaver
18 at that time and felt that he could go to him with this request.

19 219. FE-2 sent an email to Cleaver on June 29th, 2023 at 9:49 am, with the subject line:
20 “FW: PC Solutions Deals Update.” In this email, FE-2 told Cleaver that, “we approached [PC
21 Solutions] a couple weeks ago and asked if he could pull in about 4 Product deals by end of June
22 (Glynn, Manatee, Commerce, Banks...~\$1.9M all-in). At first, he wasn’t interested (said he needed
23 to clean out his warehouse while it’s more empty...).” FE-2 explained that PC Solutions had made
24 some demands for discounts and that there had been discussions around that. He continued, “We
25 agreed to meet all those demands, but then he came back with more demands and wanted us to pay
26 him \$180K in additional deal discounts plus the \$20K SPIFF to do it.” FE-2 attached emails
27 documenting these discussions.

1 220. Cleaver did not respond to FE-2. FE-2 was surprised when Cleaver did not respond
2 fairly promptly as he usually did, and that instead, FE-2 received an angry call from Savage later that
3 same day in which Savage said that any directives he gave to ship early inventory should be private
4 and not discussed with the rest of the Company. Savage then told FE-2 that he (Savage) would
5 personally call PC Solutions and make the request.

6 221. FE-2 explained that Savage called PC Solutions directly and got the deal done himself
7 and that the deal—for \$1.5 million—closed by the end of June 2023 and was recorded for
8 4Q2023/FY2023. FE-2 advised that he absolutely knows this inventory sale to PC Solutions worth
9 \$1.5 million was handled by Savage and it was executed and booked because the transaction was (i)
10 reflected in FE’s region’s 4Q quarterly financials, and (ii) his team made the “Summit Club” as a
11 form of recognition for meeting their quarterly revenue goals, adding that his team would not have
12 done so without that sale to PC. He explained that only the regions who reached 100% of their
13 quarterly revenue goals made the Summit Club. Moreover, FE-2 provided Lead Counsel with an
14 email sent on June 30, 2023 at 1:35 P.M. with the subject line “PC Solutions PO Numbers,” listing
15 the orders that PC Solutions pulled in.

16 222. FE-2 explained that he was disturbed enough by Savage’s directive to ask PC
17 Solutions to take the early inventory at the end of the fiscal year in 2023 that he reported it within the
18 Company. Specifically, FE-2 advised that he reported the June 2023 incident in the Sarbanes-Oxley
19 (“SOX”) quarterly questionnaire form that he and his fellow sales directors had to fill out every
20 quarter where they had to report any inappropriate requests. FE recalled that he filled this out probably
21 at the end of July 2023, adding that this was both at the very end of 4Q2023 and FY2023. According
22 to FE-2, he received a call from someone in Human Resources who asked him a question or two
23 about it, but nothing ever came of it. Shortly thereafter, FE-2 was demoted.

24 223. FE-2 recalled that as a result of the PC Solutions transaction that Savage ultimately
25 closed, he believed that he was demoted from his Director position just a short time later to an
26 Account Executive position, at around half of his compensation of his Director of Sales position.
27 Regarding FE-2’s demotion, FE-2 stated that Savage told him that he was “making a change” and
28 moving FE-2 out of SLED and into another department where they were creating a position for FE-

1 2. According to FE-2, Human Resources never contacted him for being demoted, and Savage never
2 gave a real reason for the demotion. FE-2 recalled that Defendant Rice told him in an exit interview
3 when he departed the Company after the end of the Class Period, that Savage had wanted to “let go”
4 of FE-2 in August 2023, but that Defendant Rice told Savage to demote FE-2 instead.

5 224. FE-2 believes that Extreme, or at least Defendant Rice, understood that FE-2 could
6 have sued the Company if they had fired him for refusing to do something unethical and possibly
7 illegal and that instead a demotion would not lead to a lawsuit.

8 225. FE-2 recalled that another partner—Step CG, headquartered in Kentucky—was also
9 often asked to take early inventory and had the warehousing to do so. FE-2 recalled an early Step CG
10 deal which occurred sometime around 2021 or 2022, that the value of the deal was for \$1 million,
11 and that it happened “*more than once, for years.*” FE-2 further explained that Extreme routinely
12 approached both Step CG and PC Solutions during his tenure because they had the warehousing to
13 store the inventory.

14 226. Similarly, FE-11 recalled an example that occurred around Summer 2022, where a
15 partner in EMEA was incentivized by Extreme to order 1,000 extra access points to be delivered to a
16 large end customer in the EMEA region in exchange for discounts on future orders. FE-11 explained
17 the access points were sold to the partner at around \$500 each, after discount, meaning that the value
18 of the deal was likely around \$500,000.

19 227. According to FE-11, the purchase order from the large end customer never
20 materialized, but the Extreme partner was forced to hold the access points inventory for the end
21 customer for at least six months because the end customer did not close on the deal with a purchase
22 order. FE-11 recounted how the Partner had asked to return the product for “a long time” but that the
23 sales manager at Extreme tried to avoid taking the product back.

24 228. After months of unsuccessfully trying to return the access points, FE-11 described how
25 the partner, in a meeting in late 2023 (probably December), demanded that Extreme take the product
26 back before New Years Eve 2023 so that it would not be on the partner’s books for the upcoming
27 year. FE-11 recalled that the partner threatened to stop doing business with Extreme if Extreme did
28 not process the return.

1 7. **The Company And Its Senior Management Monitored End User Sales,
2 So They Knew When Product Was Shipped Without An End User Order**

3 229. Notably, Extreme monitored the likelihood that the accounts with its partners would
4 end up with a secured purchase order by the end user. And critically, Extreme willingly shipped and
5 stuffed product and inventory to its partners while having access to reports, information, and
6 databases that demonstrate that those end users had *not* placed a confirmed purchase order.

7 230. As discussed above, FE-2 recalled Savage on weekly calls nearing the end of every
8 quarter, directing FE-2 and the other Directors of Sales reporting to Savage to “find deals,” that is,
9 asking partners to pull-in inventory early and accelerate revenues. According to FE-2, weekly calls
10 were held by Savage and his team, including FE-2, and that Savage had a “*pull-in list*” of partners to
11 target that could potentially pull-in orders. FE-2 explained that Savage directed FE-2 and FE-2’s
12 colleagues to offer backend rebate deals, margins, and points to their respective partners to place their
13 own purchase order if they did not have an end-user (customer) purchase order being released or soon
14 to be released.

15 231. FE-2 explained that this “*pull-in list*” would indicate and monitor what deals each
16 partner had with the end customer and the organic timeline for the deal, such that if a deal was to
17 close and the end customer would place the purchase order, in May, for example (which was in 4Q),
18 then Extreme could target that potential partner to seek to “pull-in” the sale into the present, *e.g.*, in
19 March (which had the effect of pulling in the sale for 3Q). According to FE-2, “just based off the
20 timing of the deals” Extreme could see what deals were potentially available to pull-in.

21 232. According to FE-2, Savage had this “*pull-in list*” in the form of an Excel spreadsheet
22 that he emailed to his team, including FE-2. FE-2 explained this spreadsheet was “sent up the chain
23 of command” because (i) Savage occasionally included a corresponding PowerPoint deck of slides
24 along with the spreadsheet, and that on the title page of the deck were the names of Senior Vice
25 Presidents of Sales for Americas, and (ii) FE-2 recalled these SVPs calling him for updates on deals
26 to be brought in early. FE-2 further explained that these SVPs reported to Defendant Rice.

27 233. Separately, FE-2 also explained that Extreme account executives received weekly and
28 sometimes daily updates from customers on the likelihood of an end user securing a purchase order

1 with Extreme, and channel sales did the same with their channel accounts. Based on the feedback
2 from their respective counterparts—end user and partner—the order status would be updated based
3 on “three levels of categories” reflecting the likelihood of the end user entering into a purchase order:
4 (i) “Pipeline,” which FE-2 described as the “basic” level which indicated there was too little
5 information to decide the likelihood of an end user placing the purchase order; (ii) “Best-Case”; and
6 (iii) “Key Best-Case.” When a proposal was actually *confirmed* as being accepted by the end user
7 then the category was updated to (iv) “Commit.”

8 234. In addition to having visibility into end-user demand, FE-2 also described Extreme as
9 having exceptionally good visibility into the inventory levels of their distributors. According to FE-
10 2, during the COVID-19 pandemic in 2020, Extreme created the Inventory Distributor Exchange (or
11 a similar name for it) specifically so that each of Extreme’s distributors could see which distributors
12 had inventory, along with Extreme. He explained that the distributors’ inventory levels of specific
13 items were updated automatically by the distributors’ systems whenever inventory was received,
14 shipped, or marked reserved for an order, adding that Extreme could access the Inventory Distributor
15 Exchange. FE-2 suggested that he did not access this system directly but recalled that distributor
16 inventory level spreadsheets were regularly circulated, which he reviewed because he was a recipient
17 on the distribution emails.

18 235. Notably, FE-8, Senior Vice President Global Channel Sales from January 2022 to
19 November 2023, also corroborates and confirmed the existence of the “Pipeline” / “Best Case” / “Key
20 Best Case” / “Commit” framework at Extreme. FE-8 referred to this framework as the deal lifecycle
21 and the “stages of opportunity funnel” that was located in the Company’s Salesforce²² database
22 system for both the direct and partner channels. According to FE-8, the “Pipeline”/“Best Case”/“Key
23 Best Case”/“Commit” reporting was aimed at trying to understand what deals were going to close
24 from the perspective of an end user and the likelihood that the end user will close on a deal.

25 236. Similarly, FE-5 also confirms and corroborates the existence of the “Pipeline”/“Best
26 Case”/“Key Best Case”/“Commit” framework. Again, corroborating these other former employees,
27

28 ²² Salesforce was the Company’s internal customer relationship management software.

1 FE-5 also confirmed that these four categories measured the likelihood of an end user placing a
2 purchase order with Extreme. FE-5 also described the “Commit” category as *intended to measure*
3 *only confirmed purchase orders from end users*.

4 237. Importantly, and according to FE-2, FE-2 was directed by Savage at the end of almost
5 every quarter to ask partners to take early inventory. The partners and sales targeted were from the
6 Key Best-Case and sometimes Best-Case categories (*i.e.*, *but not the “Commit” category*). Thus,
7 this further confirms that Extreme shipped inventory to partners who did not have “committed”
8 purchase orders for the product. FE-2 advised that he was not the only Director of Sales to seek to
9 have orders pulled in early, and that Savage asked each of his directors to do so.

10 238. Notably, these former employees indicated that the Pipeline” / “Best Case” / “Key
11 Best Case” / “Commit” framework would be shown in the Company’s Salesforce and “Clari”
12 database systems – and that Defendants had access to these databases.

13 239. Specifically, FE-2 explained that these weekly and daily updates were entered into
14 Extreme’s Salesforce system, and the details would be “pulled” by the Company’s “Clari” system²³—
15 which could be accessed in diverse ways through the Company’s various dashboards depending on
16 what type of information the user wanted. FE-2 explained that everyone in sales and operations had
17 at least some level of access to Clari and the dashboards, depending on their level at the Company.
18 Additionally, FE-2 explained that senior level SVP (Senior Vice President) executives at Extreme
19 called him weekly and sometimes daily throughout his entire tenure asking for more detailed
20 information on the status of deals worth \$1 million or more—and FE-2 explained that they were
21 referencing orders from Savage’s list of orders that could potentially be pulled-in. FE-2 also received
22 occasional calls from Defendant Meyercord checking the status of FE-2’s relationship with his
23 customers.

24 240. FE-9—a Channel Account Manager during the Class Period—gave further detail as to
25 the Salesforce and Clari database systems. Specifically, FE-9 explained that Clari and Salesforce
26

27 ²³ According to Clari’s website, Clari is a “revenue orchestration platform” and allows a company
28 “to run all [their] enterprise revenue workflows, end-to-end.” See
https://www.clari.com/?home_cccr=create.

1 showed information such as account name, opportunity size, and two columns he filled out – (i) where
2 the opportunity was in the sales cycle, and (ii) notes on updates he entered. According to FE-9, Clari
3 pulled data from Salesforce, which was Extreme’s CRM (Customer Relationship Management)
4 platform. An Account Executive would create opportunities that show up for that account in
5 Salesforce and it would appear on FE-9’s end in Clari. According to FE-9, everybody had had access
6 to Clari, and the higher the rank or level, the more access and information the executive had access
7 to. FE-9 also confirmed that one can pull reports from Clari.

8 241. Indeed, FE-5 corroborated that everyone at Extreme had access to Clari and
9 Salesforce, including senior level officers and executives—who could access the employees’
10 pipelines or revenue forecasts. According to FE-5, the Clari and Salesforce databases provided the
11 ability to run reports for all sales and purchase orders nationwide and globally. FE-5 further described
12 it as “everyone could pull revenue forecasts,” and the “*C-suite could see everything we see.*” And
13 FE-5 further corroborated that the “Pipeline / Best Case / Key Best Case / Commit” framework and
14 updates were entered into the Salesforce and Clari systems.

15 242. Furthermore, FE-5 stated that he “knows for a fact” *that senior level executives*
16 *reviewed those updates* because he recalled being told on a number of bi-weekly calls throughout his
17 tenure that Defendant Meyercord and CRO Vitalone wanted additional details in the updates so that
18 they could better understand them.

19 243. FE-5 specifically recalled on a bi-weekly call²⁴ around January 2024 when the
20 Director of Global Solution Partnerships of Americas Amy Bravo and Vice President of Americas
21 Channel Jennifer Orr directed participants on the call to write their updates clearly, detailed, and
22 professionally as possible “*as if Meyercord is reading them, because he is.*”
23
24
25

26 ²⁴ These bi-weekly calls were significant in magnitude. FE-5 explained that they were led by
27 Director—Strategic Partnerships, Cameron Marchand, Amy Bravo, and Senior Director of Strategic
28 Partnerships Paulette Huber. FE-5 explained that these bi-weekly calls were held for employees on
the U.S. channel side of the business and was where they discussed forecasting on Named Partners,
which FE-5 described as channel partners who did business nationwide and did a minimum of \$100
million in sales per year each.

1 244. Similarly, FE-5 explained that Extreme regularly received updates from its distributors
2 on their inventory level, at least on a weekly basis, which Extreme in turn shared with each distributor
3 so that they would know what products could be found on hand.

4 245. FE-5 explained that there was an “Inventory List” group listserv, which detailed how
5 much product Extreme had on-hand at any given moment. According to FE-5, the Inventory List
6 listserv was a regular group-wide email that attached an Excel spreadsheet. In the Excel spreadsheet,
7 the device, type of device, serial number, model numbers, current demand, availability, and allocation
8 of Extreme’s products was shown. FE-5 indicated that the Inventory List spreadsheet would show,
9 *e.g.*, that “1000 items were committed to this deal” with a particular customer, etc. According to FE-
10 5, “every item, we would have an inventory count on it.” FE-5 explained that the Inventory List
11 spreadsheet indicated what Extreme actually had on hand, what it had on order, and what it had on
12 backlog, at any given moment.

13 246. According to FE-5, each distributor had their own Distribution Inventory Excel
14 spreadsheet as well. Accordingly, FE-5 explained that Extreme “would always know what TD
15 Synnex had, what Jenne had, etc.”

16 247. Importantly, FE-5 explained that the CEO (Defendant Meyercord), the CFO
17 (Defendants Thomas / Tate / Rhodes), and “all executive leaders” were “*always*” email recipients on
18 the listservs and would have received the Excel spreadsheets.

19 248. Accordingly, Extreme’s executive management, based on the “pull-in lists,”
20 spreadsheets, and reports that were regularly circulated to them—including through the use of the
21 Clari and Salesforce database systems—would have always been aware of which deals were being
22 targeted as “pull-in” sales for the current quarter and the organic timeline for the closing of a deal
23 (*i.e.*, the organic timeline for when the end customer would actually place and secure a firm customer
24 purchase order). Furthermore, these reports and spreadsheets also detail to executive management
25 how much inventory was at Extreme at any given moment in time, how much inventory was being
26 shipped to distributors and partners, and how much of the product was on backlog.

1 **8. Defendants Improperly Inflated Revenues Based On Other Illusory Sales**
2 **Tactics During The Class Period**

3 249. Defendants also improperly inflated revenues by simply—and improperly—double-
4 counting orders into the revenue and pipeline forecast when those orders were knowingly cancelled
5 or non-existent, as well as engaging in other illusory sales tactics.

6 250. As discussed above, FE-5 was formerly employed by Extreme as Senior Channel
7 Account Manager from March 2022 to April 2024.

8 251. FE-5 described actions at Extreme that improperly inflated revenues at quarter end
9 based on illusory sales. Specifically, according to FE-5, there were a lot of what he perceived as
10 inappropriate actions of “inflating the pipeline” including “RFPs” (Requests for Proposal) that
11 Extreme knew that it had lost out on to competitors but kept in the revenue forecast or reinserted back
12 into the forecast until the end of a given quarter in order make the forecast or pipeline look better
13 than it was.

14 252. Specifically, FE-5 recalled bids that had been lost out on and orders cancelled being
15 put back into the revenue forecast until the end of a quarter, which he explained would be done to
16 artificially inflate the forecast. FE-5 explained that whenever he witnessed this being done, he pushed
17 back against it ***but was told that the correction would not be made until after the quarter was over.***
18 FE-5 recalled this occurring throughout his tenure even though he knew for certain that Extreme had
19 lost out on bids or orders had been cancelled.

20 253. FE-5 confirmed that he was made aware of similar instances of revenue and pipeline
21 manipulation occurring multiple times at Extreme during his tenure, based upon the calls he was in
22 throughout the course of his tenure.

23 254. FE-5 recalled other examples of revenue manipulation by Extreme. In one instance
24 that occurred during the Company’s second fiscal quarter of 2024 (*i.e.* 2Q2024), Extreme had ordered
25 the wrong hardware for a New Jersey Transit order whose main component was worth around \$1.8
26 million. When Extreme “called back” the order because it was incorrect, instead of using a new order
27 to clear out the incorrect one, Extreme ***put the new order “on top of the old one” and counted it as***
28 ***two orders that were reflected in the forecast or pipeline as two separate orders.*** According to FE-

1 5, these projected revenues from both the “new” and “old” orders were included in the 2Q2024
2 revenue forecast.

3 255. According to FE-5, he sent an email up the chain of command questioning this and
4 recalled getting an email response from a Vice President that the decision had *been made to keep it*
5 *as two orders until the quarter was over and then correct it*. FE-5 recalled someone else in the email
6 chain then advising that Vice President to not say anything else in email and to take any further
7 discussion on the topic offline. According to FE-5, having the two orders instead of one on the books
8 inflated the forecast until 2Q2024 was over.

9 256. Similarly, FE-10, who was employed by Extreme as a Senior Account Executive from
10 after July 2023 until April 2024, described other illusory tactics that inflated revenues and forecasting.
11 Specifically, FE-10 first corroborated that Extreme’s forecasting was available through Salesforce.
12 FE-10 explained that quotas were determined by examining the “health” of a territory and then a
13 forecast was put in place based on information collected in Salesforce. FE-10 also explained that
14 Salesforce contained information regarding previous orders made by a customer and then
15 assumptions were made based on when that customer was going to need new equipment, how much
16 additional equipment they will need for their next order, and what revenue that equates to.

17 257. According to FE-10, during his tenure, Extreme had included data in Salesforce from
18 five or six acquisitions that had occurred over the previous seven to ten years. FE-10 stated that data
19 pertaining to customers of the acquired companies was included in Salesforce and the “old data”
20 continued to remain even after the customers had “evolved” and stopped using Extreme technology.
21 This rendered the information in Salesforce “archaic” for including information on companies that
22 were no longer customers of Extreme. According to FE-10, this “elevated” the supposed number of
23 customers that Extreme had. FE-10 added that this also “inflated” and claimed to show “elevated”
24 revenue opportunities in a territory and therefore impacted revenue forecasting and assessments of
25 territory health. According to FE-10, “why that matters” is because the revenue forecasting was based
26 upon “archaic” information” and thus inflated.

27 258. FE-10 recalled that these opportunities contained in the forecasts ended up in the
28 “pipeline,” which contained the sales opportunities for that particular time period. FE-10 continued

1 to explain that Extreme simply “threw out numbers” and put “random” numbers on the books as a
2 result.

3 259. Another tactic that this particular former employee referenced that inflated Extreme’s
4 revenues and forecasting, and which was manipulative in nature, was the act of Extreme not removing
5 these outdated and archaic deals from the pipeline once Extreme was made aware of the error and
6 old data—but instead waiting until after the fiscal year numbers were reported to then correct the
7 pipeline and forecasting.

8 260. Specifically, FE-10 explained that individuals at Extreme had the ability to input
9 comments into Salesforce for opportunities based on conversations with customers without any “back
10 up.” FE-10 recalled an instance of a significant opportunity in Salesforce that he could not get
11 “validated” with the customer as being legitimate. According to FE-10, when he attempted to remove
12 this opportunity from Salesforce he was instructed “don’t take it out” or “kill it” and instead he was
13 instructed to “move” the opportunity to the end of the year. FE-10 explained that this “inflated” the
14 “health” of his territory and that this practice was “not good.” According to FE-10, the revenue
15 forecasting should have been “reflecting reality”—which it did not during his tenure.

16 261. For example, according to FE-10, there was a deal forecasted in the range of \$800,000
17 that in reality was closer to \$30,000 during his tenure. FE-10 sought to clean up the data in order to
18 effectively do his job, but removing this old data “triggered” different alerts to Extreme management
19 that signified he was losing deals. FE-10 stated that the triggers then led to review by upper
20 management to assess the status of the opportunity which resulted in instructions to ***“move” deals to***
21 ***the end of the calendar year***. FE-10 noted that by “moving” a deal to the end of the calendar year it
22 would remain in Salesforce for revenue forecasting purposes for the end of the fiscal year at Extreme,
23 ***which rendered the forecasting for that specific time period inflated***. FE-10 stated that the “deals
24 were taken care of” at the end of the year, and not at that particular moment. According to FE-10, the
25 revenue forecasts and figures that are publicly reported are derived from Salesforce, and Salesforce
26 hosted the Company’s pipeline, funnel, and forecasts.

1 262. Indeed, FE-10 explained that Extreme upper management would review the
2 “numbers” and take it to the “end of the year,” and then decided whether to “kill” the deal or not—
3 but *only after reporting for it and including it in the Company’s fiscal year*.

4 263. FE-10 explained that by cleaning the data he was responsible for, it “skewed” the
5 pipeline and opportunity forecasts “negatively.” FE-10 added that the triggers were in place to assist
6 with identifying individuals to be laid off and that by removing old data and therefore reducing the
7 forecasts for his territory that his standing at the Company was negatively impacted.

8 264. FE-10 further explained that he was individually performing well and did not have an
9 inclination that he may be laid off less than one year after starting. FE-10 explained that he expected
10 to have at least 12 months at the Company to establish himself.

11 265. According to FE-10, he had had internal conversations about “cleaning up” the
12 forecasts when he joined and noted that there were opportunities in the Salesforce maintained by his
13 predecessors which were not “real” deals. FE-10 recalled that his counterparts on his team were all
14 “older reps” who had been at the Company for at least a year and were not focused on “cleaning”
15 their data. According to FE-10, he was advised by his counterparts “not to focus on that [data
16 cleaning] too much.” FE-10 noted that they “all played ball” by leaving old data and opportunities in
17 Salesforce.

18 266. FE-10 further explained that when he was let go from the Company in April 2024, he
19 was “blindsided” and there was no “heads up.” According to FE-10, he was the only one on his team
20 “cleaning up the pipeline” in order to correct the accuracy of the forecasting, but he was terminated
21 anyways.

22 267. Notably, FE-10 also corroborates that Extreme sought to pull-in sales by pushing
23 inventory to distributors and partners even without an end customer purchase order to justify
24 shipment, as discussed *supra* Section IV.C.6, and that nonetheless, FE-10 sought to do things “with
25 integrity.” Specifically, FE-10 stated that in typical deals, the end customer “cuts a purchase order”
26 to the distributor, who then cuts a purchase order to Extreme. In one particular incident during his
27
28

1 tenure, FE-10 was asked to see if the distributor would cut²⁵ a purchase order to Extreme without
2 having received the purchase order from the end customer. FE-10 explained that he was told and
3 directed by upper management to ask the distributor if they could “cut” the purchase order because
4 the customer had not done so yet, and Extreme was able to recognize revenue once the distributor
5 had done so. FE-10 pushed back against his superiors and obtained the purchase order from the end
6 customer “with integrity.” FE-10 recalled that after the deal was done his superiors “weren’t grateful”
7 and expressed “negative comments.” FE-10 recalled hearing from upper management that the
8 practice of distributors taking on product without end customer purchase orders was “common
9 practice” and had been done before.

10 268. Indeed, FE-10 stated that it appeared to him that he arrived at Extreme during a period
11 in which the Company was trying to make up for the misleading perception of its performance that
12 had been on display in the lead up to its year-end filings (around the time he arrived after July 2023).
13 According to FE-10, what the Company was asking of him was “impossible.” FE-10 explained that
14 he experienced “pressure” at Extreme that was “pushed from the top down.” FE-10 further explained
15 that there was “a lot of pressure” to meet quotas that heightened at the end of quarters. FE-10 recalled
16 receiving calls from superiors on Christmas Day, New Year’s Eve, New Year’s Day, and Good Friday
17 pushing him to get customers to complete deals and that it was suggested to him that his job depended
18 on it.

19 **D. Contrary To Defendants’ Repeated Misrepresentations, Extreme’s Backlog**
20 **Was Freely Cancelable, Did Not Reflect “Firm” Orders and Was Not Reflective**
21 **Of Assured “Revenue Growth”**

22 269. Separate from their misstatements regarding the organic causes of revenue growth
23 while omitting the Company’s channel stuffing scheme, Defendants also misrepresented the strength
24 and “firm” nature of Extreme’s backlog. The Ninth Circuit has explained that “once defendants
25 [choose] to tout the company’s backlog, they [are] bound to do so in a manner that wouldn’t mislead
26 investors as to what that backlog consisted of.” *Berson v. Applied Signal Tech., Inc.*, 527 F.3d 982,
27 987 (9th Cir. 2008). Here, Defendants violated that principle by repeatedly asserting to the market

28 _____
²⁵ Meaning to issue the purchase order.

1 that—based upon their touted “complete visibility” into the backlog—the “*vast majority*” of orders
2 (*i.e.*, 99%) included in the backlog were “*not cancelable*” and reflected “*firm*” customer
3 commitments and “*end user demand*,” and thus, the backlog was “*very high quality*.” Indeed,
4 Defendants specifically asserted that “[*t*]hese are real projects that we see” and that “*we don’t see*
5 *double ordering*” in connection with the Company’s backlog. Those statements were affirmatively
6 and provably false and misleading.

7 270. In direct contrast to Defendants’ false and misleading statements concerning
8 Extreme’s backlog, multiple former employees confirm and corroborate that Extreme’s backlog—
9 which peaked at \$555 million in 1Q2023—was not “firm.” Specifically, Defendants failed to disclose
10 that: (1) the backlog orders, instead of reflecting “firm” customer commitments, could be cancelled
11 at any time by Extreme’s distributors and partners, and did not reflect end user demand; (2) it was
12 well known internally that the backlog orders consisted of orders that were double or tripled booked,
13 or hedged, by distributors and partners, and that the distributors and partners would cancel such orders
14 depending on which manufacturer met the order first; (3) Defendants already internally hedged that
15 10% of the backlog would be cancelled and not be converted to product revenue—far greater than
16 the 1% of backlog cancellation that they led the market to believe during the Class Period; and (4)
17 even Defendants’ own internal hedge was severely understated, with the more appropriate hedge for
18 backlog cancellations set at 66% to reflect the double and triple ordering. Accordingly, Defendants
19 misled the market as to the strength and “firm” nature of the backlog orders during the Class Period.

20 271. The Class Period backlog was further weakened and made less firm by virtue of the
21 channel stuffing scheme launched in mid-March 2022 and set in place for the 4Q2022, the first quarter
22 of the Class Period. As discussed at length above, by leveraging the backlog as a tool to force
23 distributors to stuff their channels with unneeded product in order to jump the line and get prioritized
24 backlog shipments, Extreme threw the backlog in turmoil when it threw out FIFO fulfillment. Since
25 waiting in line for backlog orders to be filled was no longer the practice, distributors had little
26 incentive to keep their backlog orders at all; if and when they needed stock off the backlog, they
27 could try to cut a deal with Extreme instead.

28

1 **1. Extreme’s Ballooning Backlog Orders Were Conditional And Able to Be**
2 **Freely Cancelled**

3 272. FE-7 was employed as Extreme’s Senior Vice President, Strategy, of the Office of the
4 CTO. FE-7 formally held this title from March 2022 until March 2023. However, FE-7 explained
5 that his employment with Extreme had begun months prior to March 2022—in mid-2021—as a part
6 of a “rolling start” while Extreme progressed in their acquisition of FE-7’s prior employer. FE-7
7 further explained that, throughout his decades-long tenure in the global networking industry, he has
8 worked at companies on both the supply/sell-side and the customer/buy-side, including at a
9 distributor. FE-7 specifically mentioned that at one time he even had a minority stake in a distributor.
10 FE-7 explained that his position sat “one click” below the ELT and he reported directly to Chief
11 Product and Technology Officer Nabil Bukhari. During the Class Period, FE-7 was tasked with
12 examining the pricing strategy for Extreme’s entire product portfolio.

13 273. FE-7 explained that backlog orders placed with Extreme were conditional in nature
14 and, accordingly, readily cancellable by Extreme’s customers. According to FE-7, in the generic
15 hardware industry that Extreme was part of, when there are supply constraints, there is “no such thing
16 as a non-conditional purchase order.”

17 274. FE-7 gave specific details as to the form of the contracts for the backlogged purchase
18 orders. FE-7 explained that the language with Extreme customers’ contracts was “first come, first
19 serve” and if another supplier was able to provide the product quicker than Extreme, then the contracts
20 were “void.” FE-7 further explained that “conditional” purchase orders were an “industry” term that
21 indicated that the purchase orders themselves included specific language in the contract such as “first-
22 come, first-serve” clauses—meaning that the purchase order placed by the customer was conditional
23 on Extreme fulfilling that order first (and not another manufacturer). FE-7 further explained that to
24 effectuate the double-booking and triple-booking practice by Extreme’s customers, Extreme’s
25 customers would sign “conditional” purchase orders with Extreme, such that it gave them the ability
26 to hedge in case the orders went to backlog. FE-7 explained that if Extreme did not meet an order on
27 backlog, because of the conditional purchase order language, Extreme’s customers could cancel the
28 order and then meet that order from another manufacturer and then proceed with that other

1 manufacturer. As an example, FE-7 stated that a customer would place an order with Cisco, Juniper,
2 and Extreme—with Cisco and Juniper being Extreme’s competitors—and then cancel the order with
3 Extreme if Cisco or Juniper met the order first.

4 275. According to FE-7, there were “open conversations about this” with the C-Suite, and
5 knowledge that if Extreme’s competitors fulfill a product order first then Extreme’s customers will
6 “void” their order with Extreme. According to FE-7, the Procurement Teams at end customers are
7 “well versed” with terms and conditions of deals and that Extreme’s C-Suite “knew this.”

8 276. Further, FE-7 stated that customers did not have to pay up front with their orders, but
9 instead, the payment would be due *e.g.*, 60 days thereafter. According to FE-7, customers’ agreements
10 with Extreme were more like a reservation and did not require upfront payment. As FE-7 explained,
11 80% to 95% of Extreme’s customers were “very big” companies.

12 277. FE-7 explained that customers like enterprise, federal, and public entities have a “go
13 live” schedule for projects and need the product on site, staged, and tested on a specific timeline to
14 remain on schedule. FE-7 continued to say that including “first come, first serve” language in a
15 contract was “not a one-off thing” and that “this is how they do it [structure the contracts].”

16 **2. In Summer 2022, FE-7 Informs The ELT That Extreme’s Handling Of**
17 **The Backlog Is “Misleading”**

18 278. Given his senior executive role and experience, FE-7 attended monthly and quarterly
19 ELT (“Executive Leadership Team”) meetings with Defendants Meyercord, Thomas, Rice, and
20 others from Fall 2021 until his departure in March 2023. Specifically, FE-7 recalled that other
21 individuals who attended the ELT meetings included current President and CEO Ed Meyercord,
22 current COO Norman Rice, current Chief Product and Technology Officer Nabil Bukhari, former
23 CRO Joe Vitalone, and the Chief Financial Officer, who was at the start of his time at Extreme was
24 former CFO Remi Thomas. FE-7 added that former SVP/Head of Global Channels Scott Peterson
25 also attended these meetings from “time to time.” FE-7 explained that his position sat “one click”
26 below the ELT and he reported directly to Bukhari.

1 279. According to FE-7, during the ELT Meetings, there was “always” an element of
2 discussion around the state of the business regarding progress towards sales targets and potential
3 “speed bumps” in achieving those sales targets.

4 280. Further, according to FE-7, at these meetings, “everyone [referring to Extreme’s ELT]
5 in the room knew” that customers hedged their procurement and that it was “standard operating
6 procedure.” According to FE-7, *the C-Suite / ELT knew that the double-hedging and triple-hedging*
7 *practice by Extreme’s customers was going on*, especially during the constrained supply chain
8 environment.

9 281. Importantly, FE-7 described how Extreme *already was assuming that at least 10% of*
10 *the backlog would be cancelled*—in direct contrast to Extreme’s statements that the backlog orders
11 were “firm” and “not cancelable,” and that the Company expected no deviation from a historical *1%*
12 *cancellation rate*. Indeed, FE-7 stated that the Company had been factoring a “10% cushion” for
13 backlog deals that are estimated will fall through.

14 282. In particular, FE-7 recalled a specific ELT meeting he attended between July and
15 September 2022, during which the meeting attendees discussed a “10% hedge” that the Company
16 had placed against its backlog, meaning that the Company was assuming that at least 10% of its
17 backlog orders would be cancelled. He recalled that this meeting took place in Summer or early Fall
18 2022, particularly between July and September 2022 (*i.e.*, during the Class Period). FE-7 recalled
19 that this meeting was attended by CTO Bukhari, Defendant Meyercord, then-COO Norman
20 Defendant Rice, former CRO Vitalone, and Defendant Thomas.

21 283. FE-7 explained that at that meeting, he asked how Extreme was talking about its
22 backlog for reporting purposes. FE-7 recalled being “startled” when he learned at this ELT meeting
23 that the Company was internally applying a 10% hedge to backlog orders. According to FE-7, he was
24 concerned about this figure based upon his decades-long experience in the industry because he knew
25 that Extreme sold “generic” hardware, meaning that other companies sold very similar and
26 interchangeable hardware, and that generic hardware customers will hedge by placing conditional,
27 “first come, first serve” purchase orders with multiple vendors. FE-7 continued to explain that this
28

1 meant that purchase orders with other vendors will be canceled once the product can be delivered by
2 the vendor who can most quickly fulfill the order.

3 284. FE-7 explained that he expressed these concerns to Meyercord, Thomas, and others at
4 the ELT meeting. He recalled that their response to his concerns was “thank you for your opinion,”
5 and it was “clear” to FE-7 that his concerns were “inconvenient” and would not be discussed again.

6 285. FE-7 was “struck” by the fact that not only was more consideration not given to
7 accurately calculating the backlog—but that there was no consideration at all. FE-7 added that in
8 ELT meetings there was “very low to no reflection” on the generic selling that Extreme participated
9 in and just how easy it was for competitors to replicate.

10 286. In the week following the ELT meeting, FE-7 conducted an “acid test” of industry
11 CIOs in order to go back to Bukhari with a level of confidence to voice his concerns around the
12 Company’s internal hedging once again.²⁶ FE-7 explained that, following the ELT meeting, he
13 immediately began contacting CIOs that he knew and trusted in various sectors including logistics,
14 pharmaceuticals, and financial services in order to perform an “acid test” of his belief that companies
15 that were similar to Extreme customers would double or triple (or more) their orders for in-demand
16 product that was commonly backlogged. FE-7 further explained that these CIOs worked at companies
17 that were the types of companies Extreme would sell to and would find to be “attractive” customers,
18 and that one of the companies was previously a customer of Extreme. FE-7 noted that he ultimately
19 contacted approximately five CIOs.

20 287. According to FE-7, he spoke to these CIOs about their business practices when it came
21 to placing orders with multiple vendors. FE-7 recalled that he carried out this acid testing exercise
22 within the same week of the ELT meeting at which he learned of the Company’s internal 10% hedge
23 (*i.e.*, during the Class Period). FE-7 explained that he asked the CIOs about their policy around
24 placing identical orders with multiple vendors and their normal business practices during periods in
25 which there are supply constraints. According to FE-7, he was informed that the CIOs’ companies
26 “never” commit to one vendor and instead placed conditional purchase orders with two or three

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28 ²⁶ An “acid test” is defined by the Cambridge Dictionary as “something that proves the true
qualities, value, or success of someone or something.”

1 vendors depending on the specifications of their particular rollout plans and timelines. FE-7 added
2 that pricing was also compared between vendors. FE-7 noted that this approach was in line with his
3 previous experience in the industry.

4 288. FE-7 recalled that shortly after conversing with the CIOs, and also within the same
5 week of the ELT meeting at which he learned of the Company's internal 10% hedge, FE-7 then
6 arranged to speak with Bukhari about his conversations. FE-7 stated that he and Bukhari connected
7 via WhatsApp or Microsoft Teams messenger.²⁷ According to FE-7, in a conversation that began on
8 the phone and transitioned to video call, he informed Bukhari of the results of his acid test and
9 explained that the companies of all of the CIOs with whom he spoke were hedging by placing orders
10 for products with multiple vendors. FE-7 stated that some CIOs said that their companies were
11 placing orders with two vendors, and most were placing orders with three different vendors (and
12 some more). FE-7 further stated that he was "baffled" by the 10% hedge figure the Company had
13 applied to its backlog, and it "didn't make sense to him" based on his experience. FE-7 recalled that
14 he informed Bukhari that the Company's internal 10% hedge was "just not right" and that he was
15 "*quite certain this is misleading.*" FE-7 continued to explain that a more realistic figure was as much
16 as **66%**—explaining that upwards of two-thirds of those deals may not come to be realized. FE-7
17 recalled that he further told Bukhari that he had previously held the same positions as many of the
18 higher-ups at Extreme—including the same positions as John Morrison (Senior Vice President
19 EMEA Sales and Services) and Joe Vitalone (Chief Revenue Officer)—at his previous companies,
20 and that he wanted to express his concerns to Bukhari because Bukhari "was part of the executive
21 team" and, per FE-7's extensive experience, "this is not how you do things."

22 289. According to FE-7, he expressed to Bukhari that Bukhari could "do what you may"
23 with that information and that if FE-7 was "king for a day," this was something the Company would
24 have to talk about. FE-7 explained that there has "never" been a case, based on his extensive industry
25 experience, where 90% of a Company's backlog "has been good" in the history of the generic
26 hardware industry. FE-7 further explained that Extreme's internal 10% hedge was "removed from

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28 ²⁷ According to FE-7, Extreme regularly used Microsoft Teams and its chat function to
communicate internally.

1 reality” and if the hedge was not addressed that “a lot” of people will find themselves with “egg on
2 their face.”

3 290. FE-7 added it is his understanding that Bukhari went to Meyercord with this
4 information based on the close relationship between Bukhari and Meyercord.

5 291. According to FE-7, Extreme “damn well knew” how many orders they would be
6 expecting to fill, “the 10% [internal hedge figure] was bullshit because [they] damn well know,” the
7 reported 1% figure—as Defendants publicly represented—was “even worse.” FE-7 added that
8 Extreme “did not play by the rules” and his perception was that Extreme “tried to sweeten deals
9 downstream” to maintain orders.

10 292. FE-7 explained that the Company should have had “more rigor” in “acid testing” itself
11 and should have conducted a “comprehensive sweep” of its purchase orders to determine how much
12 of the backlog was “real” and firm. FE-7 added that the need to be more conservative was “so
13 obvious” to him and the figures as the Company had presented them “looked dangerous” to commit
14 to such a high backlog figure.

15 293. According to FE-7, Extreme also should have been working “closely” with their “big”
16 distributors and in turn had their distributors working closely with the big end customers to determine
17 what portion of the backlog was “real.” FE-7 explained that Extreme is “very channel centric” and
18 with steps between the Company and end customer it is important to have supporting statements from
19 the distributors and partners and their customers. FE-7 explained that the backlog may have been
20 \$500 million,²⁸ but that the associated revenues were “not in the bank,” or confirmed, based upon the
21 nature of the backlog.

22 294. FE-7 explained that the 10% “cushion” applied to the backlog was “not prudent” and
23 was “not conservative enough.” FE-7 stated that the approach was “not acting in accordance with the
24 real world.” According to FE-7, he could not understand “why no one was thinking about backlog”
25 and that if the Company says that the backlog number is good then investors will expect a
26 considerable jump in performance once supply chain issues subsided. Accordingly, FE-7 had
27

28 ²⁸ Referring to the backlog high of 4Q2022 to 2Q2023.

1 concerns about the risks of “leading investors down a bad path.” FE-7 explained that the numbers
2 were “dressed for the Company to write some checks they couldn’t cash.”

3 **3. Former Employees Confirm That Extreme’s Backlog Orders Were Not**
4 **“Firm” Customer Commitments During The Class Period**

5 295. Notwithstanding the conditional nature of Extreme purchase orders, according to FE-
6 7, sales personnel had a “roadmap to plan,” which included “critical transactions” that needed to be
7 wrapped up prior to the quarter close. FE-7 explained that these are the deals that “need to get over
8 the line” and analysis of the progress of these deals begins as early as five-to-seven weeks prior to
9 the end of the quarter. FE-7 added that this is when people “start to get jittery.”

10 296. In fact, FE-7 heard himself, on at least three occasions, Extreme’s Regional Sales
11 Directors expressing concern that “important” deals—valued at more than \$5 million each—were not
12 going to come through and had been cancelled.

13 297. FE-7 specifically recalled attending meetings in Zurich, Switzerland; Lisbon,
14 Portugal; and Toronto, Canada, each taking place approximately five-to-seven weeks before the end
15 of Extreme’s final two calendar-year quarters of 2022 and the first quarter of 2023 (*i.e.*, the quarters
16 ending October 2022 [Extreme’s fiscal 1Q2023], December 2022 [Extreme’s fiscal 2Q2023], and
17 March 2023 [Extreme’s fiscal 3Q2023]). At each of these meetings, FE-7 recalled being involved in
18 informal discussions or overhearing colleagues discussing “important” deals for those particular
19 quarters that would not come through. FE-7 further explained that it was his understanding that these
20 “important” deals had values north of \$5 million. FE-7 added he heard these concerns—that these
21 deals would not be completed—from Extreme’s Regional Sales Directors from EMEA and North
22 America. He added that it is “large” deals like these that are discussed in this manner and receive
23 increased scrutiny during the second half of quarters.

24 298. FE-7 explained that important deals looking like they will not be completed for quarter
25 end will “set the stage for getting creative” due to the pressure on employees to reach targets. FE-7
26 added discussions about how to get deals done involved employees sitting two or three steps below
27 the ELT and he is aware that the deals discussed during these conversations were “not insignificant.”
28

1 299. Notably, FE-7 also explained that it is “standard operating procedure” from a revenue
2 recognition policy and internal controls perspective to require both Sales and Finance leadership to
3 “sign off on revenue certification.” FE-7 added that this practice is “customary,” and the certification
4 of revenue is done to ensure that revenue is “free” of “special terms” or “undocumented agreements,”
5 such as discounts, concessions, or certain payment terms. According to FE-7, this practice is done to
6 “adhere” to Company policies and accounting regulations, and is done on a quarterly basis.

7 300. FE-7 explained that the quarterly revenue certification process was previously and is
8 currently taking place at Extreme to ensure that revenue recognition complies with regulations. FE-
9 7 explained that this process should capture which orders on the backlog were “real and firm” versus
10 those that were “conditional,” and thus impacted by the risk of customers hedging and double-
11 booking. FE-7 continued to say that specifically, the quarterly revenue certification process would
12 have exposed how many of the purchase orders on Extreme’s backlog were “conditional.” FE-7
13 further explained that if this process is carried out with “discipline” that it should “bring to light”
14 conditional purchase orders in direct sales or with trade partners and in turn have an impact on
15 backlog reporting. FE-7 also explained that the decision to calculate backlog in the way that the
16 Company did was “disingenuous,” and a “*colossal risk to take.*”

17 301. Additional former employees further confirmed that Extreme’s backlog orders were
18 conditional, cancelable, and did not represent definite customer commitments. FE-3 stated that
19 “[d]efinitely, yes,” Extreme’s reported backlog was overstated because it included a substantial
20 amount of preferred distributor orders that did not have firm end customer commitments.

21 302. FE-3 stated that Extreme’s cancellation policy was “quite flexible,” and FE-3
22 explained that a distributor could cancel a purchase order after it had been placed. Specifically,
23 according to FE-3, there were many purchase orders to different vendors throughout and after the
24 COVID-19 pandemic due to the longer waiting times in receiving material through the supply chains.

25 303. According to FE-3, it was “*well known internally at Extreme*” that: (i) distributors
26 were placing an inordinately high number of orders during the COVID-19 pandemic in 2021; and (ii)
27 this ramp-up of orders from distributors was going to negatively impact future orders given the
28 inventory on hand, including the extra inventory from competitors. FE-3 explained that it was well

1 known that distributors were ordering extra inventory from solutions providers, *further adding that*
2 *these orders were typically cancellable and returnable.*

3 304. As an example, FE-3 explained that a distributor would make ten purchase orders (with
4 different vendors) but cancel five purchase orders because of either (1) lead times being too long or
5 (2) a competitor like Cisco could provide the product ahead of Extreme.

6 305. According to FE-3, it was sometime in 2022 when he became aware of an increased
7 spike in the cancellation of a number of big deals, which FE-3 described as a “warning sign.” FE-3
8 recalled that most of these cancellations took place in Extreme’s Latin America market, but there was
9 also one cancellation by a major U.S. end customer.

10 306. The allegations from this former employee further make clear that the true status of
11 the Company’s backlog was made known to the C-Suite, including the Individual Defendants.
12 Specifically, FE-3 advised that he held a video call regularly every other week with Defendant
13 Thomas where he discussed pricing and the Company’s business operations, and that on one of these
14 calls he discussed the high value cancellations that occurred in Latin America and the U.S.

15 307. FE-3 explained that cancellations were not normally part of the regular calls, but that
16 he mentioned these cancellations to Defendant Thomas because of their high value and that FE-3 felt
17 the Company would have had better visibility into end users’ demands if Extreme had “back-to-back”
18 purchase orders, which they did not.

19 308. FE-3 advised that he began to address this issue with Defendant Thomas in 2022, and
20 offered a possible solution at that time that would give Extreme better visibility into end customers’
21 needs. According to FE-3, he explained the Latin America and U.S. cancellations to Defendant
22 Thomas and proposed that every big deal for Extreme involve a “back-to-back” or “B2B”²⁹
23 distribution clause to secure end customer commitment. FE-3 described “back-to-back” as Extreme’s
24 paperwork that would essentially mirror the end customer’s order. FE-3 explained that this would
25 have given Extreme greater visibility into the end customer’s specific needs and when they needed
26 it.

27
28 ²⁹ According to FE-3, “B2B” was another industry phrase for “back-to-back.”

1 309. FE-3 advised that many other companies that he worked for throughout his career in
2 the same industry as Extreme required “back-to-back” purchase orders, but Extreme did not, and this
3 limited the Company’s visibility into an end user’s actual demand. He recalled Extreme having “a lot
4 of pre-orders” without “back-to-back” purchase orders.

5 310. FE-3 stated that Defendant Thomas’s response was that he was hesitant to implement
6 “back-to-back” because it would require getting Extreme’s order management and finance teams
7 involved, which Defendant Thomas did not want to do. FE-3 also explained that Defendant Thomas
8 was hesitant to implement “back-to-back” purchase orders because of the logistics involved requiring
9 an internal restructuring to work around internal controls issues. FE-3 advised that his proposed
10 solution *was never implemented* by Extreme by the time FE-3’s tenure at Extreme ended in the latter-
11 half of 2023.

12 311. Notably, the rejection of FE-3’s proposed “back-to-back” clause solution is further
13 evidence that Extreme executive management knew that its backlog orders were *not* firm and based
14 on end user demand.

15 312. FE-1 also corroborated that the backlog orders placed by partners were not “firm.”
16 According to FE-1, partners and end users were placing the same order with multiple vendors for the
17 same deal/end-user. After they received the inventory they needed, the partners and end users then
18 cancelled the outstanding orders they placed with the other vendors.

19 313. FE-1 further explained that both (1) the reseller’s purchase order and (2) the prebought
20 amount by the reseller or end user of that purchase order *could be cancelled at any time* if the
21 reseller/end user placed the same order with multiple other manufacturers or vendors and received
22 the products from someone else first. According to FE-1, resellers would double-book purchase
23 orders due to supply chain constraints and then cancel. Indeed, as FE-1 explained it, there was never
24 “non-cancellable” purchase orders at Extreme.

25 314. Even so, when distributors tried to exercise their contractual right to cancel their
26 orders, Defendants would push back. According to FE-1, Defendants Rice and Brown were refusing
27 to cancel backlog orders, which inflated Extreme’s backlog. According to FE-1, the outcome of not
28 allowing distributors to cancel backlog was that it allowed Defendant Meyercord to tout the backlog

1 numbers and to say that it may or may not wind up being revenue, but Extreme can count it on our
2 books. He added that distributors were pushed not to cancel, which allowed Meyercord to say (i)
3 Extreme made their shipment numbers and (ii) they have healthy backlog. FE-1 pointed out that a
4 distributor had to be worried that if they were not allowed to cancel an order and the parts wound up
5 being delivered, that it would be on the distributor's books and they would have to pay for it.

6 315. FE-2 also corroborates the above allegations related to backlog. FE-2 explained that it
7 was *known within the Company* that there were many backlog orders known to often be duplicative
8 of orders placed with other manufacturers (besides Extreme) during the supply chain emergencies
9 brought on by the COVID-19 pandemic, and that these orders were *freely cancellable*. FE-2 recalled
10 customers telling him and others at Extreme that they were double and triple booking orders, adding
11 that it was not a secret. FE-2 stated that this continued in 2022 and 2023. FE-2 recalled that at Extreme
12 actually encouraged partners to order early and before they had end user commitments before prices
13 went up, while knowing that partners were placing the same orders with multiple distributors and that
14 these orders could be cancelled at any time.

15 316. FE-5 further corroborated the lack of "firm" orders in the backlog. FE-5 was formerly
16 employed by Extreme as Senior Channel Account Manager from March 2022 to April 2024.

17 317. According to FE-5, end users placed orders for the same hardware "all the time" with
18 multiple suppliers such as Extreme and would then cancel the outstanding orders after receiving the
19 hardware they needed from whatever supplier gave it to them first. FE-5 added that it was well known
20 by Extreme that customers placed the same orders with multiple suppliers and that Extreme was likely
21 to lose out on a number of these "supplemental orders," or "secondary orders," as FE-5 called them,
22 through cancellations.

23 318. According to FE-5, because of supply chain constraints, Extreme's customers placed
24 "secondary" orders with Extreme, even though customers were also placing orders with Juniper and
25 Cisco, etc. According to FE-5, these "secondary" orders would nonetheless be included in the
26 pipeline/revenue forecast even though Extreme knew that the orders would likely be cancelled. The
27 majority of these orders would then go to the backlog and be counted as backlog.

28

1 319. According to FE-5, it was “widely known” at Extreme that this double-booking was
2 occurring because of the “RMA” process for double-booked orders. Specifically, FE-5 explained that
3 RMA mean “Return Merchandise Authorization,” which was effectively the cancellation. According
4 to FE-5, the practice of RMAs “came from the top.”

5 320. FE-8 was the former Senior Vice President of Global Channel Sales from January
6 2202 until November 2023. FE-8 explained that the Distribution Teams reported to him.

7 321. FE-8 similarly stated that it was “hard to ever really know” the true value of Extreme’s
8 backlog and that the figure was “driven by projects” and the Company had multiple resellers around
9 the world competing for the same projects.

10 322. Specifically, FE-8 recalled “Revenue Assurance” calls where the backlog was
11 discussed and there were “conversations around the [backlog] hedge” and the algorithm that Extreme
12 used for this calculation.

13 323. According to FE-8, the “Revenue Assurance Calls” were attended by Defendant
14 Brown, members of the Finance team, Defendant Rice, and Senior Vice President Jack Lyon.³⁰ FE-
15 8 continued to explain that the “Revenue Assurance” calls were led by Defendant Rice, who then
16 “took the baton” and had subsequent conversations with the CEO (Defendant Meyercord) and CFO
17 (Defendants Thomas/Tate/Rhodes) through “Output” calls.

18 324. According to FE-8, these “Output” meetings were calls that occurred after the
19 “Revenue Assurance” calls, where Defendant Rice and others relayed the information to the CEO
20 and CFO—indicating “here’s what we’re looking at” and the level of risk and the upside. Further,
21 FE-8 explained that it was his understanding that the information provided to the CEO and CFO in
22 the “Output” calls was also presented through an Excel summary sheet, which included the range of
23 calculations for potential outcomes, *including the assumed “yield” from the backlog—referring to*
24 *the conversion from backlog to product revenue.*

25 325. According to FE-8, the Revenue Assurance calls were a “quarterly function” with
26 meetings becoming more frequent as the quarter progressed. FE-8 explained that during the first two

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28 ³⁰ FE-8 explained that Lyon was responsible for logistics and the movement of goods from the
manufacturers to the distributors, and ultimately to the end customer.

1 months of the quarter, meetings occurred during the final week of the month to discuss current trends.
 2 FE-8 continued to explain that during the third month of each quarter the call became weekly and
 3 “week over week” trends were discussed. FE-8 explained toward the end of each quarter, these calls
 4 occurred “almost daily” and “day over day” happenings were discussed on a more “precise” level.

5 326. FE-8 also explained that it was his understanding that the Output calls between
 6 Defendants Rice, Meyercord, and the CFO occurred at the same frequency as the Revenue Assurance
 7 Calls, so as the number of Revenue Assurance calls increased throughout the quarter so too did the
 8 Output calls—because “ultimately” Defendant Rice, Defendant Meyercord, and the CFO were trying
 9 to determine the “earnings story” they were going to tell the market.

10 327. According to FE-8, information from the Revenue Assurance Calls was provided to
 11 Defendant Meyercord, and he recalled instances where it was noted that an update needed to get to
 12 Meyercord and that there was certain information he wanted to know. FE-8 further stated that it was
 13 “openly known that the information was going to get to the CEO.” According to FE-8, Meyercord
 14 was hands-on and a “very involved leader” and “detailed guy.”

15 328. Indeed, one of the documents provided by FE-1 undoubtedly demonstrates that
 16 Defendant Meyercord and the C-Suite knew about the truth of the backlog. Specifically, one of the
 17 documents revealed was an instant message conversation dated May 27, 2022—just weeks from the
 18 beginning of the Class Period—in which Defendant Brown told FE-1, “why didn’t we have [the TD
 19 call] scheduled for yesterday? . . . **Lots of eyes on this backlog process – it’s updated all the way**
 20 **up to Ed [Meyercord].**”

21 4. The Significant Gap Between Product Backlog And Product Revenues 22 Further Confirms that Extreme’s Backlog Was Not “Firm”

23 329. A review of Extreme’s product revenues compared to Defendants’ backlog digestion
 24 also demonstrates the illusory nature of Extreme’s backlog. In line with Extreme’s repeated public
 25 assertions that roughly 99% of its backlog consisted of “firm,” committed orders, the amount of
 26 backlog fulfilled in a given quarter should have tracked that quarter’s increase in product revenues.
 27 But it did not.

1 330. **First**, Extreme defined backlog during the Class Period as “**confirmed orders** with a
2 purchase order for products to be fulfilled and billed to customers with approved credit status.”³¹

3 331. **Second**, Defendants repeatedly asserted that the large majority (*i.e.*, 99%) of
4 Extreme’s backlog orders comprised these “firm,”³² committed, orders—indicating at the outset of
5 the Class Period that: “[w]e have complete visibility into our product backlog and have received
6 negligible cancellations to date of less than 1% of bookings.”³³ Defendants also stated that the
7 backlog “**it’s not cancelable. These are real projects that we see. . . . the vast majority** of our backlog
8 is related to this kind of **end user demand project-based business and we don’t see double**
9 **ordering.**”³⁴

10 332. **Third**, Defendants characterized backlog as the amount of revenue expected to be
11 recognized based on the present amount of customer orders, such that Extreme’s revenue growth
12 would be driven by unleashing the “massive” backlog (given the release of the supply chain
13 constraints) and converting that backlog into recognized revenue. Specifically:

14 “[O]ur **revenue outlook is really a function of supply chain and product that we are**
15 **able to release, given the massive backlog** that we’ve built up and the continued
16 strength of our bookings. So I’ll just start off with supply chain, You’ve asked about
17 that. What we see is a gradual improvement throughout the year. **So think of a step**
18 **function where we will be stepping our revenue, quarter by quarter, throughout the**
19 **year, based on our outlook of supply chain . . .**” (4Q2022 Earnings Call – July 27,
20 2022).

19 “[W]e built up quite a bit of backlog because of the supply chain scenario, **but it’s all**
20 **very high quality and we are very confident in the backlog. And so in a way, it just**
21 **gives us a lot of confidence in the revenue growth forecast** that we’ve got into the
22 future and for the next couple of years.” (Needham Virtual Security, Network &
23 Communications Conference – November 15, 2022).

22 “Really what we want to do is reinforce our outlook of revenue growth. And we’re
23 doing that out through our fiscal ’25 year, which is out there. **We baked that [backlog]**

24
25 ³¹ Extreme 10-K for FY2023 (year ended June 30, 2023) at 10.

26 ³² Extreme 10K for FY2022 (year ended June 30, 2022).

27 ³³ Extreme’s 4Q2022 Earnings Call (Defendant Meyercord’s statements); *see also* 1Q2023
28 Earnings Call (Defendant Thomas’ statements) (“And I can tell you right now because of our scrutiny
around this, each and every decommit, to the extent there is one, gets a lot of scrutiny from us . . . and
they remain at a fraction of 1%.”).

³⁴ Needham Technology & Media Conference (May 17, 2023).

1 *into our revenue guide, and that's where we're trying to focus everyone.*" (3Q2023
2 Earnings Call – April 26, 2023)

3 "We *have* the benefit of a *healthy backlog* of customer orders with request dates that
4 spread fairly evenly through the end of the year. *End customer orders remain firm*
5 *and distributor orders have normalized, giving us confidence in our outlook for this*
6 *fiscal year.*" . . . Defendants further stated: "*During fiscal year '24, we expect*
7 *continued strong product revenue growth*, given the growing interest in our solution
8 by customers and *the ongoing normalization of our backlog.*" (FY2023 Earnings Call
9 – August 2, 2023).

10 333. *Fourth*, and consistent with the explanation of former employees, Extreme disclosed
11 that it recognized revenues at the moment when "control of the product is transferred to the customer
12 (*i.e.*, when the Company's performance obligation is satisfied), which typically occurs at shipment
13 for product sales."³⁵ Based upon this revenue recognition model, if an order in the product backlog
14 was then fulfilled and shipped to a distributor, partner, or end user—and thus taken out of the backlog
15 amount³⁶—that order should then be recognized as product revenue at shipment. Given Extreme's
16 repeated assertions that the majority of the backlog orders (*i.e.*, ~99%) comprised "firm" and
17 committed, non-cancellable orders, then the amount of product backlog digested over a quarter
18 should largely be equivalent to the amount of increase in product revenues in the same quarter (over
19 and above any non-backlog purchase orders in the quarter).

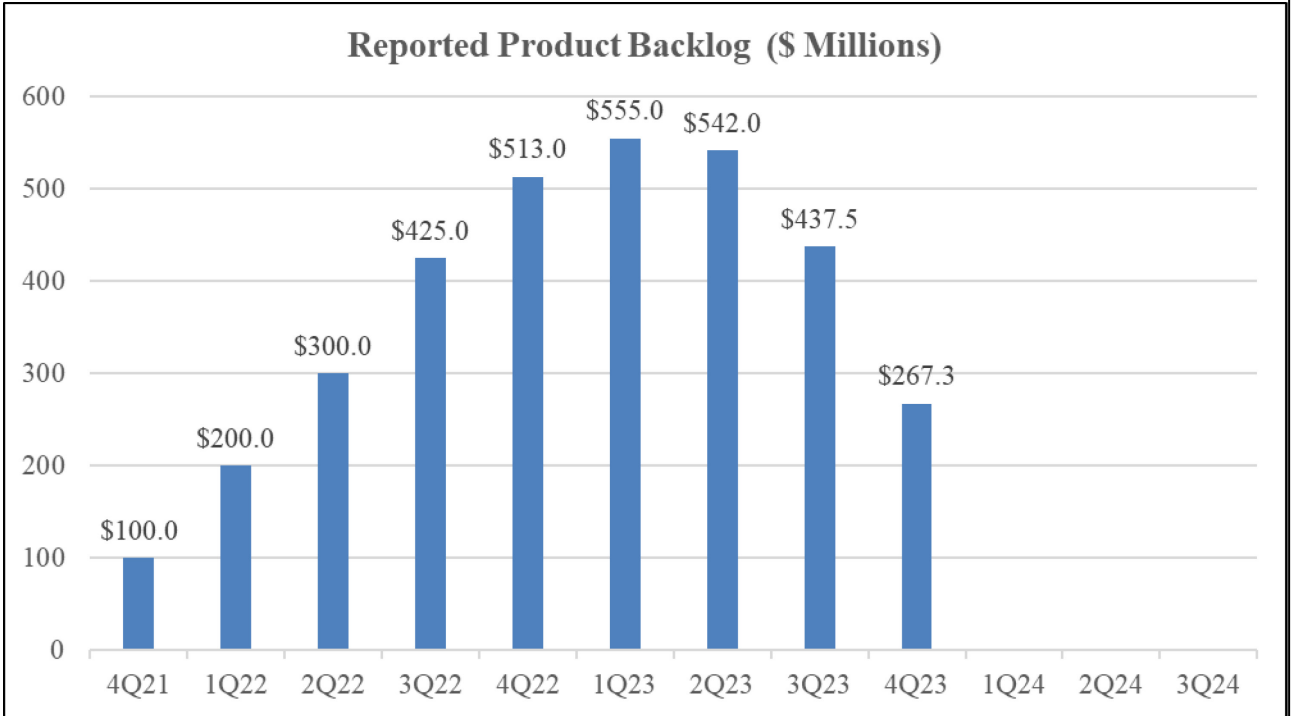
20 334. The following chart illustrates Extreme's disclosed product backlog³⁷:

21 [continued on next page]

22
23
24
25
26 ³⁵ Extreme 10K for FY2022 (year ended June 30, 2022), at 59.

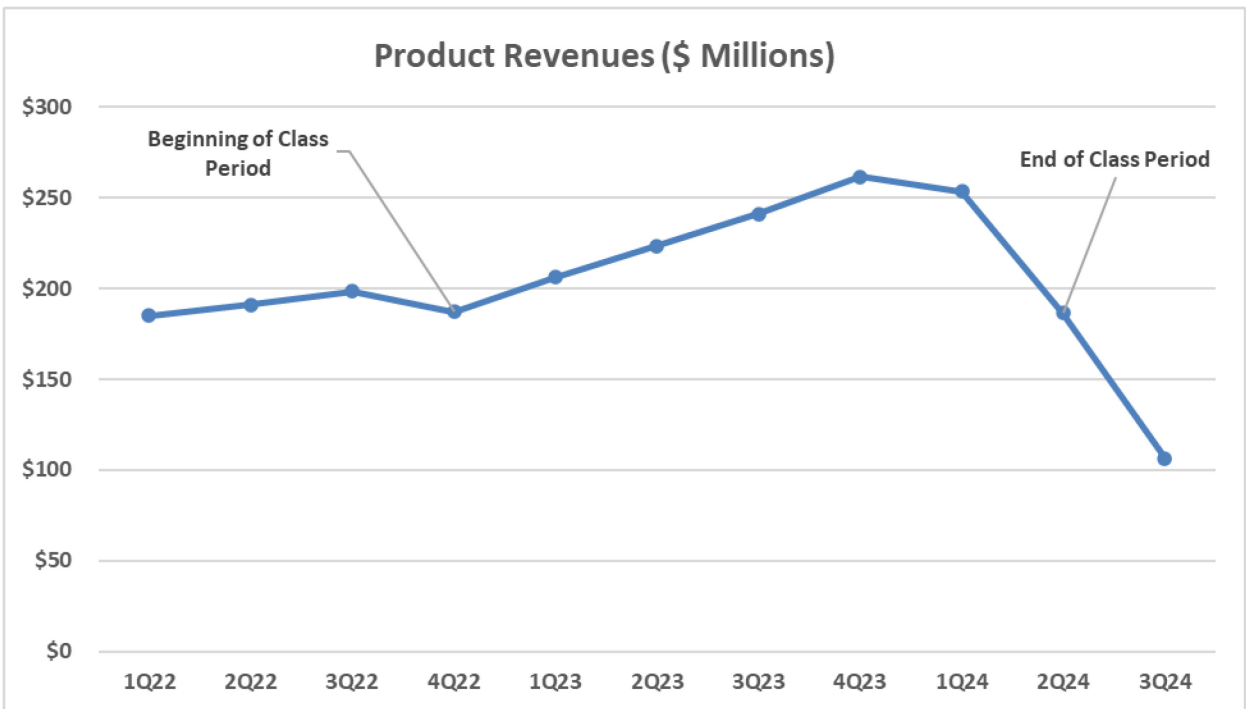
27 ³⁶ Again, as confirmed by former employees, including FE-1, purchase orders made by Extreme's
28 customers that were on backlog could not be counted as revenue, because they had not been shipped.

³⁷ Defendants stopped reporting backlog on a quarterly basis after 4Q2023.



13 335. As shown from the chart, backlog was built up from 4Q2021 until 1Q2023, and then
14 began to decline starting in 2Q2023, with major declines in 3Q2023 and 4Q2023.

15 336. The following graph, conversely, shows Extreme’s product revenues:



337. The change in reported product backlog and product revenues is thus as follows:

<i>\$ in millions</i>	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023
Change in Product Backlog from prior quarter	\$88.0	\$42.0	-\$13.0	-\$104.5	-\$170.2
Change in Product Revenue from prior quarter	-\$11.3	\$19.2	\$17.2	\$17.6	\$20.6
Total Order Change	\$76.7	\$61.2	\$4.2	-\$86.9	-\$149.6

338. As seen in the table above, there was a significant and material gap in backlog decline and recognized product revenues. For example, from 2Q2023 to 3Q2023, product backlog decreased by about \$104.5 million, but product revenue only increased by \$17.6 million—*leaving a \$86.9 million gap*.³⁸ Similarly, from 3Q2023 to 4Q2023, product backlog decreased by about \$170.2 million, but product revenues only increased by \$20.6 million—*leaving a \$149.6 million gap*.³⁹

339. Consequently, based on the application of established accounting principles, there are three possible explanations for the discrepancy between backlog and revenues: (1) the Company's unaccounted-for backlog of \$236.5 million⁴⁰ for 2Q2023–3Q2023 and 3Q2023–4Q2023 was not firm (*i.e.*, was not converted into product revenue); (2) the Company's new orders (*i.e.*, new bookings) had not only stalled, but *regressed* significantly and abnormally, and product revenues were being propped up by the fulfillment of backlog orders;⁴¹ or (3) a combination of these adverse headwinds contributed to the decrease in orders recognizable as revenue.

340. Defendants, however, have excluded the possibility of options (2) and (3) above because, as they explained during the Class Period, Extreme was actually receiving new orders. For

³⁸ This \$86.9 million figure is conservative as it assumes 0% new bookings in the quarter, and assumes that 100% of the product revenues for the quarter were attributable to the release and conversion of product backlog to product revenues—a highly improbable scenario. Consequently, the assumed shortfall of \$86.9 million is likely understated.

³⁹ Similarly, the \$149.6 million figure is likewise conservative.

⁴⁰ *I.e.*, the sum of the \$86.9 million gap in 3Q2023 and the \$149.6 million gap in 4Q2023.

⁴¹ In other words, one potential explanation for the negative gaps is that product revenue attributable to new bookings (as opposed to product revenue attributable to backlog orders being shipped out) regressed and declined so significantly from prior quarters that a portion of the backlog must have kicked in and propped up the total product revenue amount for the quarter (\$241.1 million and \$261.7 million for 3Q24 and 4Q24, respectively).

1 example, in the 3Q2023 Earnings Call, Defendant Meyercord stated that: “[a]lthough our Q3
2 bookings typically decline sequentially in the March quarter [*i.e.*, 3Q2023], we in fact *grew* from
3 December.” And in the 4Q2023 Earnings Call, Defendant Meyercord again stated that: “[i]n our
4 fourth quarter, bookings *grew* mid-single digits sequentially.” In other words, because Defendants
5 disclosed that new bookings (*i.e.*, new orders) grew in 3Q2023 and 4Q2023—and had not regressed
6 or declined—the only explanation for the dissipation and evaporation of the \$236.5 million in
7 unaccounted-for backlog orders was that *those orders were never firm in the first place*.

8 341. As Extreme’s backlog evaporated at the end of the Class Period, Defendants indicated
9 that they had made a “conscious decision to put channel digestion *behind us* in the March quarter
10 [*i.e.*, the 3Q2024 quarter].”⁴² But the disappearance of the backlog had a catastrophic impact on
11 Extreme’s reported revenue. *Product revenues decreased significantly from 1Q2024 to 3Q2024* (not
12 increased or remained flat). Notably, 3Q2024 product revenues fell to an abysmal \$106.4 million—
13 a 43% decline from the prior quarter and less than half of product revenues reported in any quarter
14 from 2Q2023 to 1Q2024⁴³:

(\$M)	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24
Backlog	\$555.0	\$542.0	\$438.0	\$267.3	N/A	N/A	N/A	\$64.0
Product Revenue	\$206.3	\$223.4	\$241.1	\$261.7	\$253.5	\$186.6	\$106.4	\$152.7

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20 342. That product revenues declines continued significantly throughout FY2024 further
21 evidences that the previously reported backlog had not reflected “firm” customer commitment and
22 *far more than 1% of backlog was cancellable by Extreme’s customers*, in contrast to the misleading
23 assertions and impression made by Defendants.

24 343. In short, had Extreme’s product backlog actually been firm and real, then the product
25 revenues would have grown by a substantial—and comparable—amount, largely equivalent to the
26

27 ⁴² Extreme 2Q2024 Earnings Call (January 31, 2024).

28 ⁴³ Extreme’s total revenues for 3Q2024 were a similarly dismal \$211.0 million, down \$85.4 million (29%) from the prior quarter.

1 amount of declines in the backlog. This would have represented true “digestion” of the backlog into
2 product revenues. But product revenues did not grow by a comparable amount in 3Q2023 and
3 4Q2023—and in fact further declined throughout FY2024. As a result, the only logical conclusion is
4 that the backlog orders had dissipated and did not result in Defendants’ promised revenue growth that
5 investors and analysts believed would occur.

6 344. Indeed, analysts arrived at the same conclusion at the end of the Class Period—finding
7 that customers were “double-ordering,” *i.e.*, cancelling orders, at a far higher rate than Defendants
8 had misled the market into believing. For example, UBS Research downgraded Extreme from a
9 “Buy” to a “Neutral” rating on January 31, 2024, finding that: “Extreme’s double-digit growth in
10 FY22 and FY23 was the result of pandemic-related supply chain delays and depressed demand in
11 FY20/FY21 *followed by double-ordering by customers in FY22/FY23* to protect against the
12 possibility of supply chain issues. Supply and demand are normalizing in FY24/FY25 and *it is now*
13 *apparent that Extreme is not growing at a sustainable double-digit rate.*”

14 **E. Extreme’s Distributors Stop Enabling Channel Stuffing By The End of 2023**

15 345. According to FE-1 and based on his recent conversations with TD Synnex
16 leadership—who FE-1 states he “100% trusts has intimate knowledge” of the relationship between
17 Extreme and TD Synnex—Extreme was still employing the same inappropriate and unethical channel
18 stuffing practices during and into the end of the Class Period (*i.e.*, January 2024). This included
19 Extreme still doing buy-ins, Extreme still channel stuffing inventory to TD Synnex, and still forcing
20 stock rotations to be reduced.

21 346. However, by the second half of 2023—and as supply chain constraints abated for
22 Extreme and its competitors—Extreme’s customers had had enough and refused to play ball any
23 longer. They began cancelling backlogged orders at a faster clip and refused to order new product
24 from Extreme.

25 347. According to FE-1 and based on his conversations with TD Synnex and other
26 distributors, throughout 2023 and into early 2024, these distributors were all thinking of cancelling
27 backlog since Extreme was getting rid of FIFO. He described the distributors as realizing that they
28

1 did not need to place backlogged orders with Extreme since they could wait to make an order when
2 they needed it and did not have to have exposure on their books.

3 348. FE-1 stated that, based on his conversations with TD Synnex and other distributors,
4 Extreme missed their revenue numbers in back-to-back quarters because their distributors ultimately
5 backed off on buying from Extreme quarters after FIFO backlog fulfillment was “blown up.”
6 According to FE-1, the quarter where “Extreme’s numbers cratered,” occurred because the
7 distributors simultaneously decided to cancel their backorders with Extreme as a reaction to and push
8 back against being forced by the Company to take on inventory orders they did not need in order to
9 keep their respective places in line for the distribution of parts that they did need. He described it as
10 the distributors likely “quit playing the game” that Extreme was forcing onto them, adding that
11 Extreme was “running out of tricks.” FE-1 further suggested that backlog orders were cancelled
12 because distributors did not need orders on backlog if “they did not gain anything from it.” According
13 to FE-1, this explains the major decline in backlog by \$245 million, year-over-year, that Extreme
14 reported in its 10-K in August 2023, adding that a larger backlog had previously allowed the
15 Company to tout stronger demand to the market.

16 349. For example, according to FE-1, he spoke with two contacts at TD Synnex in the
17 months after he left Extreme, and who indicated to him that they wanted to cancel their backlog. FE-
18 1 recalled them telling him that TD Synnex was going to cancel orders with Extreme because staying
19 on the backlog did not help TD Synnex because Extreme was playing games with backlog every
20 quarter. He further recalled that TD Synnex’s President Americas said that TD needed to clean up its
21 books and inventory and that if Extreme was going to fire them as a distributor, then Extreme can
22 fire them. FE-1 believes that, based on his conversations with his contacts at TD Synnex, and others,
23 the cancellation of backlog orders happened two or three quarters after he left Extreme, likely in early
24 2023.

25 350. FE-1 added also that he has had conversations with distributors since Extreme “took a
26 hit” in August 2023, who told him that there was “zero reason” for any distributor to do a buy in
27 except to help Extreme.

28

1 **V. THE TRUTH EMERGES THROUGH A SERIES OF PARTIAL DISCLOSURES**

2 351. As set forth below, Defendants’ fraud triggered massive, statistically significant
3 declines in the price of Extreme’s common stock that were causally connected to the facts that
4 Defendants misrepresented and concealed. The truth concerning Extreme’s channel stuffing and
5 manipulative sales and inventory practices and the true nature of the Company’s backlog, emerged
6 through a series of partial disclosures from January 25, 2023 through January 31, 2024. Notably, the
7 Defendants continued to make false and misleading statements throughout this time, as reference
8 *infra* Section VII, which either inflated or maintained the share price at elevated levels until
9 Extreme’s final disclosure on January 31, 2024.

10 352. These series of disclosures involved significant declines and the dissipation of the
11 product backlog, and significant reductions of revenues and downward revenue guidance. Critically,
12 the market understood both backlog and revenues to be a representation of demand for Extreme’s
13 products. The combined dissipation of the backlog and the contemporaneous reduction of revenues
14 thus evidenced that: (1) Extreme’s revenue growth was not based upon organic demand as the market
15 was previously led to believe; and (2) the backlog was not based on firm customer commitments that
16 would lead to sustainable revenues, as the market was previously led to believe.

17 353. *First*, on January 25, 2023, the Company filed a Form 8-K. The Form 8-K announced
18 that Defendant Thomas had tendered his resignation as CFO of the Company on January 24, 2023,
19 effective February 16, 2023. The Form 8-K also announced that Defendant Tate was appointed as the
20 Company’s interim CFO, effective January 24, 2023, and that effective February 16, 2023, Defendant
21 Tate was appointed as the Company’s Principal Financial and Accounting Officer. Defendant Tate
22 was to assume these roles while the Company conducted a search for a new CFO.

23 354. Also on January 25, 2023, Extreme reported its financial results for its 2Q2023 ended
24 December 31, 2022. In connection with reporting its 2Q2023 results, Extreme revealed for the first
25 time that backlog had fallen—from \$555 million to \$542 million. On the 2Q2023 Earnings Call,
26 Defendant Meyercord also shortened the timeline for backlog normalization to be complete (from
27
28

1 previously stated FY2026),⁴⁴ stating that: “we see backlog returning to normal by the last quarter of
2 fiscal ’25 [*i.e.*, 4Q2025].”

3 355. As a result of this news, the price of Extreme dropped from \$19.31 per share when the
4 market closed on January 24, 2023 to \$16.50 per share on January 25, 2023, a nearly 15% decline on
5 abnormally heavy volume of over 9 million shares traded. However, because Defendants failed to
6 disclose the full truth and continued to make materially false and misleading statements and
7 omissions, as discussed *infra* Section VII, the price of Extreme stock remained artificially inflated
8 throughout the remainder of the Class Period.

9 356. Indeed, on January 25, 2023, Rosenblatt Securities stated in its analyst report that:
10 “[i]n our view, the stock is down because . . . backlog decreased \$13mn sequentially to \$542mn.
11 Orders were not bad, and Extreme is still doing slightly better than its industry peers, but expectations
12 were higher. Additionally, the company announced CFO Rémi Thomas is leaving for another job . .
13 . his departure from Extreme was unexpected.” Similarly, Craig-Hallum Capital Group LLC stated
14 in its January 26, 2023 analyst report that: “[w]e believe shares of Extreme Networks sold off
15 yesterday with the announced departure of the company’s CFO, Remi Thomas. . . That being said,
16 management believes demand will remain strong and expect its strong backlog to remain relatively
17 stable throughout the next several quarters before beginning to be worked down.”

18 357. **Second**, just a few months later, Extreme stated that its product backlog as of June 30,
19 2023 declined by an astonishing **\$245 million** over the course of FY2023. This decline represented
20 an enormous **48%** wipe-out of the backlog, year-over-year.

21 358. Specifically, on August 24, 2023, Extreme filed with the SEC its Form 10-K for
22 FY2023 (fiscal year ended June 30, 2023), which was signed by Defendants Meyercord and Rhodes.
23 The Form 10-K stated the following:

24 ***Our product backlog at June 30, 2023***, net of anticipated back-end rebates for
25 distributor sales, ***was \$267.3 million, compared to \$513.0 million at June 30, 2022.***
26 The decrease in backlog year over year is primarily due to a combination of a
resumption in shipment of orders during fiscal 2023, after experiencing significant

27 _____
28 ⁴⁴ See 1Q2023 Earnings Call (Defendant Thomas stating on October 27, 2022: “we believe it’s
going to be fiscal ’26 when it [backlog] goes back to normal.”).

1 delays due to supply chain constraints in prior years, and a reduction in distributor
2 orders due to shorter lead times.

3 359. As a result of this news, the price of Extreme stock dropped from \$27.68 per share
4 when the market closed on August 24, 2023 to \$25.16 per share on August 25, 2023, a 9% decline
5 on unusually heavy trading volume of over 10 million shares. However, because defendants failed to
6 disclose the full truth and continued to make materially false and misleading statements and
7 omissions, as discussed *infra* Section VII, the price of Extreme stock remained artificially inflated.

8 360. The market interpreted the news negatively, but nonetheless continued to rely on
9 Defendants' false and misleading assurances. For example, Rosenblatt stated in its August 28, 2023
10 analyst report that: "EXTR is down today on its 10-K disclosure that backlog exiting FY23 was
11 \$267mn. This means backlog dropped ~\$170mn q/q in 4Q, after falling ~\$100mn in 3Q. Before the
12 10-K came out, we have assumed backlog was down ~\$100mn so it came in ~\$70mn lower than we
13 expected. . . Quarter-to-quarter backlog declines should be smaller from here, and backlog is still
14 expected to normalize in 1Q[2]5, according to our conversation with the company today. The
15 company still sounds confident in its FY24 guidance because the order environment is improving[.]"

16 361. *Third*, on November 1, 2023, Extreme reported its financial results for 1Q2024.
17 Notably, Extreme also stated that it would discontinue disclosure of its current backlog figure on a
18 quarterly basis. Accordingly, Extreme did not report its backlog figure as of 1Q2024.

19 362. The Company reported sequential total revenue losses from \$363.9 million in 4Q2023
20 to \$353.1 million in 1Q2024. The Company also reported sequential product revenue losses from
21 \$261.7 million in 4Q2023 to \$253.5 million in 1Q2024.

22 363. On November 1, 2023, Extreme also gave downward total revenue guidance of \$312
23 million to \$327 million for 2Q2024, which reflected a "more cautious tone," as described by
24 Defendant Rhodes in the 1Q2024 Earnings Call.

25 364. In connection with reporting its 1Q2024 results, Extreme also revealed that "[b]ased
26 on changing customer buying patterns . . . we are tempering our revenue outlook for this quarter and
27 the balance of the year," which was resultant from an "air pocket" of demand. Despite the "lower[ed]
28 revenue expectations" for FY2024, Extreme guided to a range of "mid-to-high single digits of

1 revenue **growth**” for FY2024. Extreme also disclosed that it was expecting normalized backlog of
2 between \$75 million to \$100 million “by the end of Q4 fiscal ‘24.”

3 365. As a result of this news, the price of Extreme stock dropped from \$20.62 per share
4 when the market closed on October 31, 2023 to \$17.86 per share on November 1, 2023, a 13% decline
5 on unusually heavy trading volume of nearly 10 million shares. Furthermore, Extreme’s stock price
6 continued to decline as the market continued to absorb the news, falling from a \$17.86 closing price
7 on November 1, 2023 to a closing price of \$17.10 per share on November 2, 2023, and a closing price
8 of \$16.80 per share on November 3, 2023. In total, the share price of Extreme’ stock over the three
9 trading days declined by \$3.82 per share, reflecting a decrease of 18% from market close on October
10 31, 2023.

11 366. **Fourth**, on January 8, 2024, Extreme issued a press release that provided a business
12 update lowering the Company’s 2Q2024 and long-term revenue outlook, stating in relevant part that:
13 “[s]econd quarter revenues are now expected to be approximately \$294 to \$297 million, compared to
14 the prior outlook of \$312 to \$327 million.” The press release confirmed that Extreme’s final results
15 for 2Q2024 would be published on January 31, 2024.

16 367. The press release also stated in relevant part:

17 “Our revised second fiscal quarter outlook reflects industry headwinds of **channel**
18 **digestion** and elongated sales cycles. In late Q2, we saw multiple large deals pushing
19 out to future quarters,” stated Ed Meyercord, President and CEO at Extreme. “We
20 remain confident in our long-term strategy and our ability to achieve double-digit long-
term revenue and EPS growth supported by competitive customer wins and the growth
in our opportunity funnel.”

21 368. The press release also reported that the Company’s Chief Revenue Officer since 2020,
22 Joe Vitalone, had resigned. Rather than replace his position, Extreme announced that Defendant Rice
23 would be elevated to Chief Commercial Officer, taking over Vitalone’s role in addition to his prior
24 responsibilities.

25 369. As a result of this news, the price of Extreme stock dropped from \$17.52 per share
26 when the market closed on January 8, 2024 to \$16.23 per share on January 9, 2024, a 7% decline on
27 unusually heavy volume of over 4 million shares. In a January 9, 2024 analyst report titled “EXTR
28 Pre Release: Late Quarter Push Outs Hit Revs – Mgmt Notes Strong Funnel,” Needham echoed

1 Extreme’s explanation that “several large deals slip[ped] out of the quarter late in the month of
2 December.” This is consistent with FE-1’s account that Extreme’s large distributors, after several
3 quarters of acquiescing to Extreme’s scheme—devised and implemented at the start of the Class
4 Period in Spring 2022, to force through sales of unwanted product to large distributors like Westcon
5 and Jenne in exchange for backlog priority—finally refused to “play ball” and rejected these efforts
6 at the end of the Class Period.

7 370. **Finally**, on January 31, 2024, Extreme reported drastically disappointing financial
8 results and operational trends for 2Q2024. Extreme disclosed that its total revenues for the quarter
9 were \$296.4 million, down \$56.7 million from the prior quarter. Extreme’s revenues of \$296.4
10 million represented a decline of 16% in total revenue losses QoQ.

11 371. Similarly, on January 31, 2024, Extreme reported that its product revenues were only
12 \$186.6 million for 2Q2024, compared to \$253.5 million from the prior quarter. This represented a
13 decline of \$66.9 million QoQ, or a 26% decline in product revenue losses QoQ.

14 372. Furthermore, Extreme in its 2Q2024 Earnings Call stated that the product revenue
15 decline was attributable to “continued channel digestion and elongated sales cycles.” Specifically,
16 Extreme disclosed that: “[o]ur distributors and partners have lowered inventory purchases, which we
17 expect to accelerate in the third quarter.” The Company also revealed that its product backlog had
18 **already normalized** during the quarter, “earlier than we initially anticipated.”

19 373. The Company further stated that it had made the “conscious decision to put channel
20 digestion behind [it] in the March quarter [*i.e.*, 3Q2024],” leading to a “**\$40 million to \$50 million**
21 **reduction in channel inventory in the third quarter**” that would result in “[d]emand . . . be[ing]
22 masked by inventory flowing out of the channel.”

23 374. Additionally, rather than being on track for “mid teens” revenue growth for FY2024,
24 as previously represented, Extreme provided new guidance that revealed the Company was in fact on
25 track to suffer lower revenues in FY2024. Specially, the Company stated that looking into 3Q2024,
26 total revenues would be in the range of just \$200 million to \$210 million—a further decline from the
27 \$296.4 million actuals of 2Q2024.

28

1 375. Indeed, the Company disclosed that in 2Q2024, it expected “*sell through to be*
2 *significantly higher than sell-in*, which we believe will have a meaningful impact on our operating
3 results. To quantify this impact, we expect a \$40 million to \$50 million reduction in channel inventory
4 in the third quarter, which will allow us to cover to a more normalized level of revenue in the fourth
5 quarter.” Extreme thus disclosed that it anticipated that sales from the distributor/partners to the end
6 users (*i.e.*, the “sell-throughs”) will be “significantly” higher than sales from Extreme to the
7 distributor/partner (*i.e.*, the “sell-ins”) – which would result in drastically less revenue as less product
8 would be shipped to the distributors and partners. Through this disclosure, Extreme indicated that
9 there was a surplus of inventory at the distributor/partner level that needed to be sold off.

10 376. As a result of this news, the price of Extreme stock collapsed from \$16.64 per share
11 when the market closed on January 30, 2024, to \$13.51 per share on January 31, 2024, and falling
12 further to \$13.22 per share on February 1, 2024 and \$12.59 per share on February 2, 2024, a 24%
13 decline on unusually heavy volume. In total, the price of Extreme stock declined from a Class Period
14 high of \$32.27 per share to a low of \$12.59 per share after the revelation of the truth, a greater than
15 60% decline, resulting in investor losses.

16 377. Following this final corrective disclosure, the market understood that Extreme was
17 not, in fact, growing at a sustainable rate and that the revenue growth story that Defendants previously
18 touted was fabricated. For example, UBS Research downgraded Extreme from a “Buy” to a “Neutral”
19 rating on January 31, 2024—finding that: “Extreme’s double-digit [revenue] growth in FY22 and
20 FY23 was the result of pandemic-related supply chain delays and depressed demand in FY20/FY21
21 *followed by double-ordering by customers in FY22/FY23* to protect against the possibility of supply
22 chain issues. Supply and demand are normalizing in FY24/FY25 and *it is now apparent that Extreme*
23 *is not growing at a sustainable double-digit rate.*”

24 378. Needham, in a February 1, 2024 report titled “EXTR: Guidance Collapse, Confident
25 Setback, Long Road to Recovery,” called out the severe and unexpected hit to Extreme’s product
26 revenues, reporting that Extreme’s Q3 guidance “Is Well Below Street Estimates and Implies a 60%
27 Decline in Product Sales Yr-Yr and FY4Q/CY2Q is down ~25%.” Needham called into question
28 Extreme’s prediction of more “normalized” revenues in Q4, noting that even Extreme’s own guidance

1 “Has Product Revenues Below CY2Q [i.e., Extreme’s fiscal Q4] 2019 Levels,” and forecasting that
 2 Extreme’s revenues would not return to growth until the end of 2024 and 2025, noting that there was
 3 “a large nut to have to make up.” Needham also questioned Extreme management’s attribution of
 4 the channel digestion to “macro pressures,” because “the economy is still growing and Extreme
 5 claims it’s gaining share.” Ultimately, Needham expressed caution and slashed its target price,
 6 remarking that “management has lost a lot of credibility in recent quarters.”

7 379. Similarly, Oppenheimer stated in its January 31, 2024 analyst report titled “EXTR
 8 F2Q24: Weak Quarter and Very Weak Guidance, Lowering Estimates” that the “stock will continue
 9 to be under pressure *until revenue growth reaccelerates, which is unlikely until 2025.*”

10 380. And Lake Street Capital Markets declared in its January 31, 2024 analyst report titled
 11 “High Inventory Level in Channel Results in Massive Guidance Reset,” that: “[w]e *initially suspected*
 12 *a typo when we saw Extreme’s Q3 midpoint revenue guide of \$205M vs the \$321M consensus. But*
 13 *no, that is the correct figure[.]*” Accordingly, Lake Street lowered its estimates and price target from
 14 \$17 to \$13 for Extreme’s shares.

15 381. These significant declines in revenue—including total revenues, distributor revenues,
 16 and product revenues—are firm evidence of both (i) the existence of the undisclosed channel stuffing
 17 and other manipulative sales tactics, and (ii) the effects of the misrepresentations regarding the
 18 firmness of the backlog.

19 **VI. EXTREME’S ULTIMATE DECLINE IN REVENUES IS CONSISTENT WITH**
 20 **CHANNEL STUFFING**

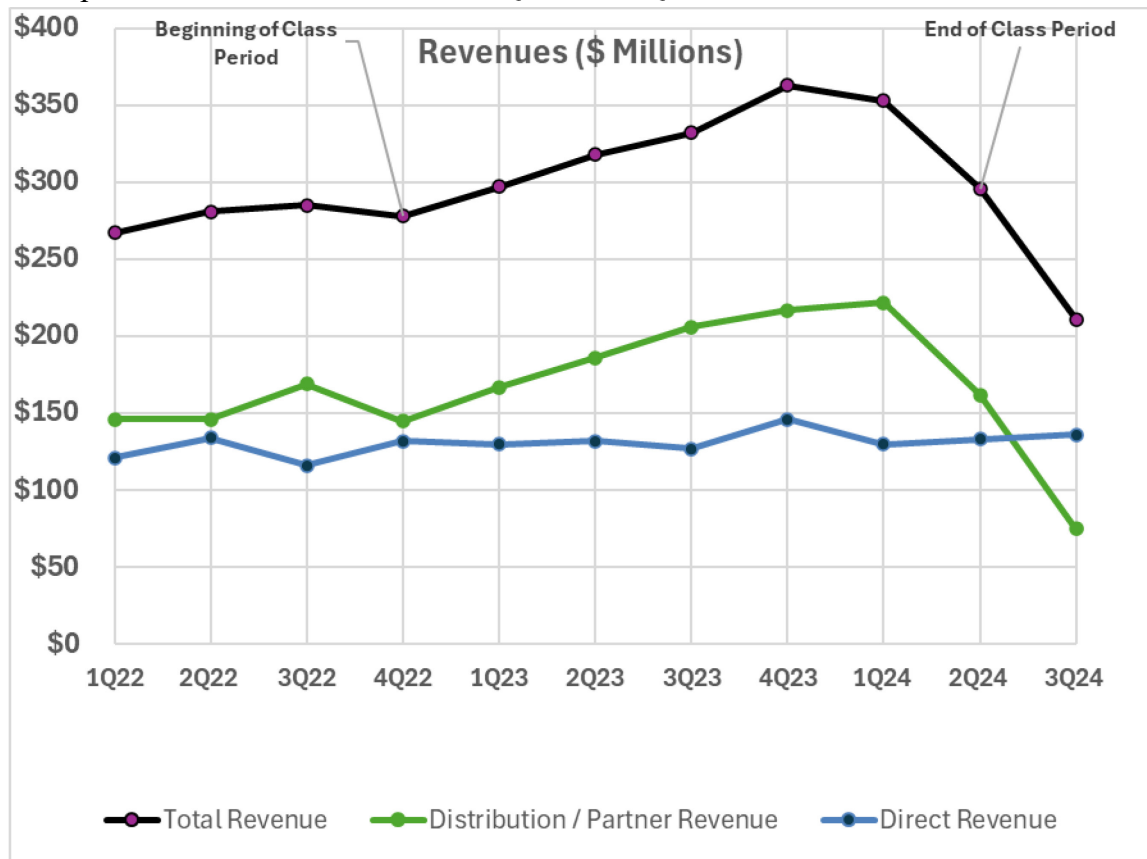
21 382. Experts and commentators have noted that channel stuffing conduct may be observed
 22 through the reversals of revenue in future periods.⁴⁵ By improperly pulling sales forward and creating

23 ⁴⁵ See, e.g., Somnath Das, et al., *Detection of Channel Stuffing*, FORENSICS ACCT. EJ. (May 2011),
 24 available at <https://care-mendoza.nd.edu/assets/151939/helenzhang.pdf> (“Usually, cases of channel
 25 stuffing come to light either due to actions of whistle-blowers or through observed performance
 26 reversals in future periods in the form of declining revenues . . .”); Jason Zuckerman, *Report Channel*
 27 *Stuffing and Earn an SEC Whistleblower Award*, THE NAT’L. L. REV. (June 5, 2019), available at
 28 <https://natlawreview.com/article/report-channel-stuffing-and-earn-sec-whistleblower-award>
 (explaining that when a company improperly pulls sales forward, “the company will naturally
 experience sales and revenue shortfalls in future periods when its distributors are unable to sell the
 excess inventory”); see also *In re Plantronics, Inc. Sec. Litig.*, Case No. 19-cv-07481-JST, 2022 WL
 3653333 (N.D. Cal. Aug. 17, 2022) (Hon. Jon S. Tigar) (“[c]hannel stuffing is the oversupply of

Footnote continued on next page

1 artificial demand, a company that has previously engaged in channel stuffing will often inevitably
 2 experience revenue shortfalls in future periods when its distributors and partners are unable to sell
 3 the excess inventory. The same performance reversals of revenue are indicators of the materiality of
 4 the buildup of channel inventory to a company’s financial statements. Accordingly, a period of a
 5 significant decline in revenue would be highly indicative evidence of prior channel stuffing conduct
 6 within the company.

7 383. Consistent with this economic phenomenon, and as seen in the graph below, Extreme
 8 experienced a steep decline in quarterly revenue at the end of and after the Class Period, as compared
 9 to during the Class Period—a strong indication of the presence of channel stuffing conduct during
 10 the build-up of accelerated revenues from 4Q2022 to 4Q2023:

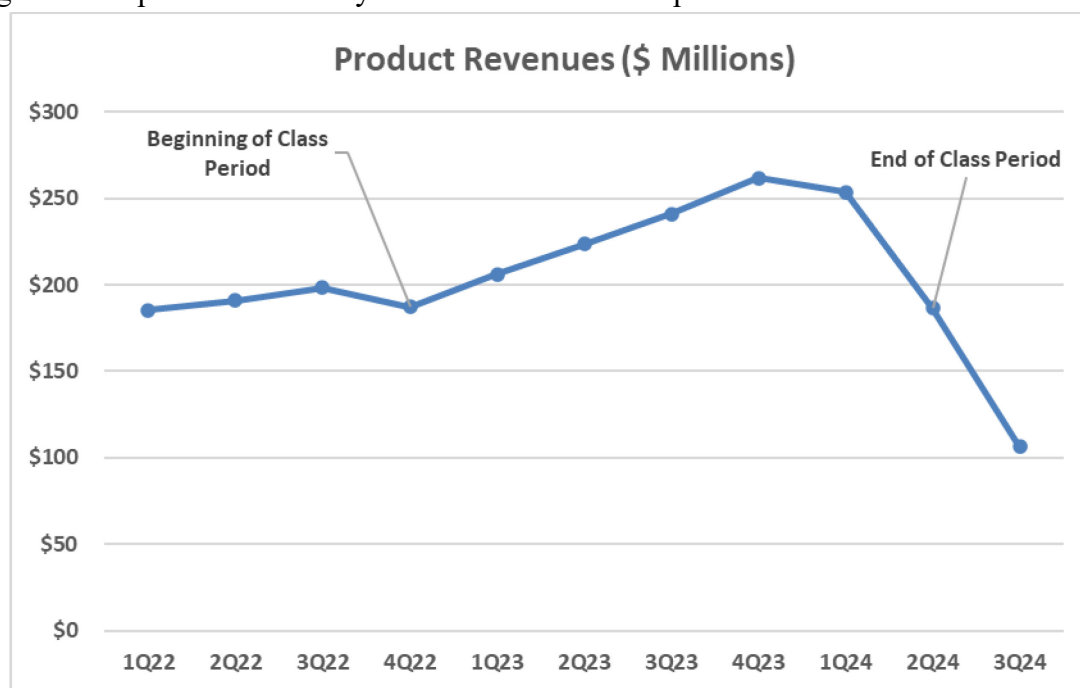


23 384. More specifically, and as seen from the graph above, there was a significant decline in
 24 revenues from 1Q2024 through 3Q2024, with *all* of the sequential quarterly declines attributable to
 25

26
 27
 28 distributors in one quarter to artificially inflate sales, which will then drop in the next quarter as the
 distributors no longer make orders while they deplete their excess supply.”) (citations omitted).

1 the Distribution/Partner segment, as opposed to the Direct segment (which was growing over those
2 two quarters). The fact that *all* of the revenue decline can be attributed to the Distribution/Partner
3 channel of Extreme's business is further evidence of the undisclosed channel stuffing conduct that
4 occurred with Extreme's distributors and partners.

5 385. Additionally, a review of Extreme's product revenues (which comprised 70% of the
6 Company's total revenues during the Class Period) tells the same story. Indeed, as seen below in the
7 graph, Extreme experienced a steep decline in quarterly product revenue at the end of and after the
8 Class Period, as compared to during the Class Period, further evidencing prior undisclosed channel
9 stuffing and manipulative inventory tactics with Extreme's products:



21 386. As seen from the graph above, product revenue loss from 1Q2024 to 2Q2024 equated
22 to a 26.4% quarter-over-quarter drop. Product revenue loss from 2Q2024 to 3Q2024 equated to a
23 43% quarter-over-quarter loss. Overall, from quarter-end 1Q2024 (i.e., September 30, 2023) to
24 quarter-end 3Q2024 (i.e., March 31, 2024), Extreme suffered a loss of an astounding **\$147 million** in
25 product revenues, i.e., an extraordinary **58% decline**.

26 387. This loss of product revenues demonstrates that Extreme improperly borrowed
27 demand from the future during the Class Period, which led to an extraordinary loss of recognized
28

1 revenues once Extreme’s distributors and partners reached a breaking point and could no longer hold
2 and stuff product inventory at the request of Extreme.

3 **VII. MATERIALLY FALSE AND MISLEADING STATEMENTS AND OMISSIONS**⁴⁶

4 388. During the Class Period, Defendants falsely and misleadingly told the market that
5 Extreme’s revenue growth was attributable to organic and exceptionally strong demand for the
6 Company’s products, while concealing that demand was neither “strong” nor “unabated,” and that
7 Defendants met and exceeded revenue targets by stuffing its channel and pulling in sales from future
8 quarters. *See supra* Section IV.C. Additionally, during the Class Period, Defendants falsely and
9 misleadingly misrepresented the strength and “firm” nature of Extreme’s backlog, touting the
10 Company’s massive backlog as “not cancelable” and not subject to double ordering, while concealing
11 that the Company’s backlog was not “firm”, did not reflect strong customer commitment and end
12 user demand, and was at a significant risk of high levels of cancellation. *See supra* Section IV.D.

13 **A. 4Q2022 Earnings Press Release (July 27, 2022)**

14 389. The Class Period begins on July 27, 2022, when the Company issued a press release
15 entitled “Extreme Networks Reports Fiscal Year and Fourth Quarter 2022 Financial Results,” and
16 subtitled “*Record Bookings and Double-Digit Revenue Growth in FY22 Reiterates FY23 Revenue*
17 *Growth of 10-15%.*” In the press release, Extreme reported *4Q2022 revenues of \$278.2 million,*
18 *\$187.1 million of which was attributable to product revenues, and FY2022 revenues of \$1.1 billion,*
19 *\$761.7 million of which was attributable to product revenues.* These revenue figures were repeated
20 in Extreme’s FY2022 Form 10-K.

21 390. These statements touting Extreme’s “*double digit revenue growth,*” “*record*
22 *bookings,*” and *annual and quarterly total and product revenues* were false or misleading when
23 made, and omitted material facts necessary to make the statements not misleading, because Extreme’s
24 reported revenues were only achieved through Defendants’ channel stuffing scheme and other
25 manipulative sales tactics implemented at the start of 4Q2022 as Defendants were “running out of

26
27 ⁴⁶ In this section, Lead Plaintiffs present the entirety of Defendants’ false and misleading
28 statements, omissions, and half-truths in their full context, and highlight the portions of the statements
that are primarily false and/or misleading. Each of these statements is also presented chronologically
in chart form in the attached **Appendix A.**

1 tricks in our bag” and needed to “get into the company [the] # that the street expects.” *Supra*, Section
2 IV.C This scheme included (i) forcing distributors to buy unwanted and unneeded product in order
3 to receive priority for inventory from Extreme’s backlog; (ii) improperly “pulling in” sales from
4 future quarters into the present by shipping products to Extreme’s partners and resellers—even
5 without a firm end customer purchase order to justify the recognition of revenues; (iii) utilizing
6 discounts, rebates, and other incentives with Extreme’s customers to cause such customers to
7 purchase outdated and unwanted product in exchange for a right to return such product in future
8 quarters after revenues were reported for the present quarter; and (iv) preventing customers from
9 making contractual returns or stock rotations in order to inflate revenues. *Id.*

10 391. The press release stated in relevant part:

11 ***“For FY22 we achieved double-digit growth in both bookings and revenue due to***
12 ***strong demand*** for our differentiated enterprise networking and 5G infrastructure
13 solutions. Bookings grew 24%, revenue exceeded ***\$1.1 billion*** for the first time, and
we exited the year with a record product backlog of ***\$513 million*** . . .” stated Ed
Meyercord, President and CEO of Extreme.

14 ***“Our teams continue to see unabated market demand,*** as networking projects remain
15 a priority for our global customers. . . .” concluded Meyercord.

16 Extreme’s Chief Financial Officer Remi Thomas, added, ***“After another quarter of***
17 ***solid execution, we achieved double-digit growth for the year and improved***
operating margins, even in the current supply chain environment.”

18 392. The statements describing Extreme’s ***“double-digit revenue growth,” “strong”*** and
19 ***“unabated market demand”*** from end customers ***“even in the current supply chain environment,”***
20 were false or misleading when made, and omitted material facts necessary to make the statements not
21 misleading, because Extreme’s reported revenues were only achieved through Defendants’ channel
22 stuffing scheme and other manipulative sales tactics implemented at the start of 4Q2022 as
23 Defendants were “running out of tricks in our bag” and needed to “get into the company [the] # that
24 the street expects.” *Supra*, Section IV.C This scheme included (i) forcing distributors to buy
25 unwanted and unneeded product in order to receive priority for inventory from Extreme’s backlog;
26 (ii) improperly “pulling in” sales from future quarters into the present by shipping products to
27 Extreme’s partners and resellers—even without a firm end customer purchase order to justify the
28 recognition of revenues; (iii) utilizing discounts, rebates, and other incentives with Extreme’s

1 customers to cause such customers to purchase outdated and unwanted product in exchange for a
2 right to return such product in future quarters after revenues were reported for the present quarter;
3 and (iv) preventing customers from making contractual returns or stock rotations in order to inflate
4 revenues. *Id.*

5 **B. 4Q2022 Earnings Investor Presentation (July 27, 2022)**

6 393. On July 27, 2022, Defendants published their 4Q2022 Financial Results Investor
7 Presentation, which included a slide stating “*Double-Digit Growth Fueled by Strong Demand and*
8 *Execution*,” “*Continued Strong Growth*,” and “*Record Fiscal Year Revenue on 10% Y/Y Revenue*
9 *Growth*,” as well as a slide titled “*Driving Growth*” indicating that “Product Backlog” of *\$513*
10 *million* was a key driver of that “*Growth*.”

11 394. These statements touting Extreme’s “double-digit growth fueled by strong demand
12 and execution,” “*continued strong growth*,” and the Company’s product backlog of \$513 million as
13 “*driving growth*” were false or misleading when made, and omitted material facts necessary to make
14 the statements not misleading, because Extreme’s reported revenues were only achieved through
15 Defendants’ channel stuffing scheme and other manipulative sales tactics implemented at the start of
16 4Q2022 as Defendants were “running out of tricks in our bag” and needed to “get into the company
17 [the] # that the street expects.” *Supra*, Section IV.C This scheme included (i) forcing distributors to
18 buy unwanted and unneeded product in order to receive priority for inventory from Extreme’s
19 backlog; (ii) improperly “pulling in” sales from future quarters into the present by shipping products
20 to Extreme’s partners and resellers—even without a firm end customer purchase order to justify the
21 recognition of revenues; (iii) utilizing discounts, rebates, and other incentives with Extreme’s
22 customers to cause such customers to purchase outdated and unwanted product in exchange for a
23 right to return such product in future quarters after revenues were reported for the present quarter;
24 and (iv) preventing customers from making contractual returns or stock rotations in order to inflate
25 revenues. *Id.*

26 **C. 4Q2022 Earnings Conference Call (July 27, 2022)**

27 395. On July 27, 2022, Defendant Meyercord stated the following about product demand
28 and backlog in the Company’s Earnings Call for FY2022:

1 ***Our results for fiscal '22 highlight unprecedented demand for Extreme's solutions***
 2 and a very vibrant and healthy market for networking. We reported record bookings
 3 growth of 24%, which is a clear indication that we're taking share and winning in the
 4 market. And our forward-looking funnel for fiscal '23 is up double digits year over
 5 year. This is a leading indicator of future bookings growth. The differentiation of our
 6 fabric and cloud solutions for enterprise customers and our targeted solutions for very
 7 large service provider customers, ***combined with the high performance of our global***
 8 ***sales and channel teams gives us the confidence in our outlook for continued growth***
 9 ***and demand.*** Our technology solutions are critical to infrastructure initiatives
 10 underpinning digital transformation for all of our customers around the world. We
 11 believe these important projects will continue to remain a priority, irrespective of a
 12 changing macroeconomic environment. ***For the year, our double-digit revenue***
 13 ***growth led to an all-time high revenue of \$1.1 billion, yet it was understated by the***
 14 ***\$400 million of incremental backlog we built during the year.*** Our total Q4 ending
 15 backlog was \$513 million, thanks to the current supply chain environment. . .

16 As we noted during our Investor Day in May, we expect to continue to build backlog
 17 for the next several quarters, given our outlook for continued bookings growth and the
 18 gradual recovery in supply chain. For the guidance we provided, we expect sequential
 19 improvements in our ability to deliver product to customers throughout fiscal '23.
 20 ***Based on the lead times and commitments, we expect backlog will begin to shrink***
 21 ***by Q4 of fiscal '23. We have complete visibility into our product backlog and have***
 22 ***received negligible cancellations to date of less than 1% of bookings.***⁴⁷

23 396. Defendant Thomas further stated in the Company's Earnings Call:

24 As Ed [Meyercord] described, ***we had solid execution in fiscal '22 with record***
 25 ***bookings and backlog generation, double-digit revenue growth, and overall***
 26 ***improving margins, in spite of the supply chain environment. Strong demand for***
 27 ***our portfolio of products, services, and subscription drove year over year*** bookings
 28 growth of 24% in fiscal '22 and 8% in Q4. With a product book-to-bill ratio of 1.29
 for the year and 1.23 for the quarter, we exited the year with \$513 million in backlog,
 up more than \$400 million year over year and close to \$90 million sequentially. ***That's***
nearly 3 full quarters of product revenue.

397. These statements were false or, at a minimum, misleading when made and omitted
 material facts necessary to make the statements not misleading, because at the time of the statements,
 Extreme's revenue growth was not the result of "***unprecedented demand for Extreme's solutions***"
 and not based on "***strong demand for our portfolio of products.***" In reality, Extreme's reported
 revenues were only achieved through Defendants' channel stuffing scheme and other manipulative
 sales tactics implemented at the start of 4Q2022 as Defendants were "running out of tricks in our
 bag" and needed to "get into the company [the] # that the street expects." *Supra*, Section IV.C This
 scheme included (i) forcing distributors to buy unwanted and unneeded product in order to receive
 priority for inventory from Extreme's backlog; (ii) improperly "pulling in" sales from future quarters

⁴⁷ This statement was in the original Amended Complaint but was inadvertently not included in
 the summary False and Misleading Statements section, which is now corrected.

1 into the present by shipping products to Extreme’s partners and resellers—even without a firm end
2 customer purchase order to justify the recognition of revenues; (iii) utilizing discounts, rebates, and
3 other incentives with Extreme’s customers to cause such customers to purchase outdated and
4 unwanted product in exchange for a right to return such product in future quarters after revenues were
5 reported for the present quarter; and (iv) preventing customers from making contractual returns or
6 stock rotations in order to inflate revenues. *Id.*

7 398. Additionally, these statements were false or, at a minimum, misleading when made
8 and omitted material facts necessary to make the statements not misleading, because at the time of
9 the statements, Extreme’s backlog was not poised to generate revenue growth for Extreme, did not
10 reflect “nearly 3 full quarters of product revenue,” reported revenues were not “*understated by the*
11 *\$400 million of incremental backlog we built during the year,*” and the Company’s “*complete*
12 *visibility into our product backlog*” did not indicate a continuation of “*negligible cancellations to*
13 *date of less than 1% of bookings*” because: (i) the backlog did not reflect “firm” customer
14 commitments as it was well known internally that Extreme’s customers were double or triple booking
15 orders from Extreme and then cancelling those orders; (ii) Extreme’s backlog contracts with its
16 customers were contractually designed to be cancelled and were cancellable on a “quite flexible”
17 basis, as the clauses within the contracts for orders included provisions which provided for and
18 effectuated customers’ double-ordering practice; (iii) Extreme internally had already expected that
19 Extreme’s backlog would be cancelled by as much as 10% from Extreme’s customers—and the more
20 appropriate number for the hedge according to FE-7 was as high as 66%; (iv) Extreme’s backlog did
21 not reflect true end user commitment as proposed solutions such as the “B2B” clause were never
22 implemented during the Class Period; and (v) Extreme’s channel stuffing scheme implemented at the
23 start of the Class Period jeopardized and weakened the backlog because there was no incentive for
24 distributors to place large backlog orders when the FIFO fulfillment order was no longer honored.
25 *See supra* Section IV.D.

26 399. Additionally, during the July 27, 2022 Earnings Call, Defendant Meyercord responded
27 to an analyst’s question about Extreme’s ability to generate revenue and unlock the large,
28 accumulated backlog that had been built up to \$513 million:

1 **Analyst Question:** “Wanted to get a better handle on the bookings in 4Q and the
2 outlook commentary going into the first half of fiscal ‘23. It sounds like, clearly, you
3 expect to stay supply constrained true most of the fiscal year. But do you, A, see any
4 improvement in supply in your expectations in the first half of the year? And then
5 second, what’s going on in that pipeline as you’re looking at that first half outlook.
6 And particularly, if you look at the bookings numbers in the fourth quarter, how did
7 that play on geography, and how do you think that looks going into the upcoming
8 quarter, particularly in EMEA.”

9 **Meyercord:** “[Y]ou’re rightfully pointing out kind of this—how we’re looking at
10 bookings, which is really our measure of true demand, and then versus revenue, and
11 *our revenue outlook is really a function of supply chain and product that we are*
12 *able to release, given the massive backlog that we’ve built up and the continued*
13 *strength of bookings.* So I’ll just start off with supply chain. You’ve asked about that.
14 What we see is a gradual improvement throughout the year. So think of a step function
15 where we will be stepping our revenue, quarter by quarter, throughout the year, based
16 on our outlook of supply chain. . . . So our teams, as I mentioned in my comments, are
17 more confident today than they have been in our ability to step function our supply of
18 product to our customers’ partners. So what does that mean? That is how we built the
19 revenue forecast for fiscal ‘23, which is that step function, with sharper improvement
20 in the second half of the fiscal. *As it relates to demand, our demand has been strong,*
21 *as we talked about it for the year, 24% for us. That’s record-breaking performance.*

22 400. These statements were false or, at a minimum, misleading when made and omitted
23 material facts necessary to make the statements not misleading because at the time of the statements,
24 Extreme’s revenue growth was not based on “demand” that was “strong” from end customers, In
25 reality, Extreme’s reported revenues were only achieved through Defendants’ channel stuffing
26 scheme and other manipulative sales tactics implemented at the start of 4Q2022 as Defendants were
27 “running out of tricks in our bag” and needed to “get into the company [the] # that the street expects.”
28 *Supra*, Section IV.C This scheme included (i) forcing distributors to buy unwanted and unneeded
product in order to receive priority for inventory from Extreme’s backlog; (ii) improperly “pulling
in” sales from future quarters into the present by shipping products to Extreme’s partners and
resellers—even without a firm end customer purchase order to justify the recognition of revenues;
(iii) utilizing discounts, rebates, and other incentives with Extreme’s customers to cause such
customers to purchase outdated and unwanted product in exchange for a right to return such product
in future quarters after revenues were reported for the present quarter; and (iv) preventing customers
from making contractual returns or stock rotations in order to inflate revenues. *Id.*

401. Additionally, these statements attributing “*our revenue outlook*” to the “*massive*
backlog that we’ve built up and the continued strength of bookings” were false or, at a minimum,

1 misleading when made and omitted material facts necessary to make the statements not misleading,
 2 because because: (i) the backlog did not reflect “firm” customer commitments as it was well known
 3 internally that Extreme’s customers were double or triple booking orders from Extreme and then
 4 cancelling those orders; (ii) Extreme’s backlog contracts with its customers were contractually
 5 designed to be cancelled and were cancellable on a “quite flexible” basis, as the clauses within the
 6 contracts for orders included provisions which provided for and effectuated customers’ double-
 7 ordering practice; (iii) Extreme internally had already expected that Extreme’s backlog would be
 8 cancelled by as much as 10% from Extreme’s customers—and the more appropriate number for the
 9 hedge according to FE-7 was as high as 66%; (iv) Extreme’s backlog did not reflect true end user
 10 commitment as proposed solutions such as the “B2B” clause were never implemented during the
 11 Class Period; and (v) Extreme’s channel stuffing scheme implemented at the start of the Class Period
 12 jeopardized and weakened the backlog because there was no incentive for distributors to place large
 13 backlog orders when the FIFO fulfillment order was no longer honored. *See supra* Section IV.D.

14 **D. Extreme’s Letter to Shareholders for FY2022 (July 27, 2022)**

15 402. Around the time Extreme filed its FY22 10-K, Extreme made available to shareholders
 16 on its website a letter wherein Defendant Meyercord highlighted the Company’s robust backlog and
 17 strong demand, which he claimed positioned the Company for “accelerated growth over the next
 18 several years,” stating in relevant part:

19 We are pleased to report record results, unprecedented economic growth and continued
 20 business momentum at Extreme as we closed fiscal 2022. . . .Revenue exceeded \$1.1
 21 billion for the first time in Extreme’s history despite unprecedented supply chain
 22 constraints. ***And we exited the year with a record \$513 million in product backlog,
 up 5x from last year, setting the stage for accelerated growth over the next several
 years.*** The continued strength of bookings demand, the re-leveling of our book-to-bill
 23 ratio and the ***high quality of our order backlog gives us greater visibility into the next
 several years and increased confidence of the returns*** from our investments in new
 products, people, and innovations.

24 403. These statements were false or, at a minimum, misleading when made and omitted
 25 material facts necessary to make the statements not misleading because at the time of the statements,
 26 Extreme’s backlog was not “***high quality,***” did not provide “***greater visibility into the next several
 27 years and increased confidence of the returns,***” and did not “***set the stage for accelerated [revenue]
 28 growth over the next several years,***” because: (i) the backlog did not reflect “firm” customer

1 commitments as it was well known internally that Extreme’s customers were double or triple booking
2 orders from Extreme and then cancelling those orders; (ii) Extreme’s backlog contracts with its
3 customers were contractually designed to be cancelled and were cancellable on a “quite flexible”
4 basis, as the clauses within the contracts for orders included provisions which provided for and
5 effectuated customers’ double-ordering practice; (iii) Extreme internally had already expected that
6 Extreme’s backlog would be cancelled by as much as 10% from Extreme’s customers—and the more
7 appropriate number for the hedge according to FE-7 was as high as 66%; (iv) Extreme’s backlog did
8 not reflect true end user commitment as proposed solutions such as the “B2B” clause were never
9 implemented during the Class Period; and (v) Extreme’s channel stuffing scheme implemented at the
10 start of the Class Period jeopardized and weakened the backlog because there was no incentive for
11 distributors to place large backlog orders when the FIFO fulfillment order was no longer honored.

12 *See supra* Section IV.D.

13 **E. Interview with CRN Magazine (August 2, 2022)**

14 404. On August 2, 2022, Defendant Meyercord had an interview with *CRN Magazine*, a
15 computer publication trade newspaper targeted at the industry. The publication was titled “Extreme
16 Networks CEO: Beating Cisco an ‘Exclamation Mark’ on Fiscal Year 2022.” One of the questions
17 asked was: “[h]ow does Extreme’s most recent fiscal quarter highlight how you’re winning against
18 the competition?” Defendant Meyercord responded:

19 I can tell you that ***growth is spread across all of our geos*** when we look at the strength
20 and performance in the Americans [sic], in EMEA, in Asia-Pacific. When we look at
21 overall industry vertical growth, our solutions have been very successful across the
22 board, across our verticals, ***so, it’s just this very evenly spread, organic growth that
we’re experiencing at Extreme. It means that we’re taking share.***

23 405. These statements were false or, at a minimum, misleading when made and omitted
24 material facts necessary to make the statements not misleading, because at the time of the statements,
25 Extreme’s revenue growth was not based on “organic growth” from end customers that Extreme was
26 “experiencing.” In reality, Extreme’s reported revenues were only achieved through Defendants’
27 channel stuffing scheme and other manipulative sales tactics implemented at the start of 4Q2022 as
28 Defendants were “running out of tricks in our bag” and needed to “get into the company [the] # that
the street expects.” *Supra*, Section IV.C This scheme included (i) forcing distributors to buy

1 unwanted and unneeded product in order to receive priority for inventory from Extreme’s backlog;
2 (ii) improperly “pulling in” sales from future quarters into the present by shipping products to
3 Extreme’s partners and resellers—even without a firm end customer purchase order to justify the
4 recognition of revenues; (iii) utilizing discounts, rebates, and other incentives with Extreme’s
5 customers to cause such customers to purchase outdated and unwanted product in exchange for a
6 right to return such product in future quarters after revenues were reported for the present quarter;
7 and (iv) preventing customers from making contractual returns or stock rotations in order to inflate
8 revenues. *Id.*

9 **F. FY2022 Form 10-K (August 29, 2022)**

10 406. On August 29, 2022, Extreme filed with the SEC its Form 10-K for FY2022 (fiscal
11 year ended June 30, 2022), which was signed by Defendants Meyercord and Thomas, who also
12 certified as to the report’s accuracy and completeness. The Form 10-K stated the following:

13 ***Product revenues increased \$62.3 million or 8.9% for the year ended June 30, 2022,***
14 ***compared to fiscal 2021. The product revenues increase for the year ended June 30,***
15 ***2022 as compared to fiscal 2021 was primarily due to strong demand for our***
products partially offset by supply chain constraints which impacted our ability to
fulfill the demand for our products during fiscal 2022.

16 407. These statements were false or, at a minimum, misleading when made and omitted
17 material facts necessary to make the statements not misleading because at the time of the statements,
18 Extreme’s revenue growth was not based “***primarily due to strong demand for [Extreme’s]***
19 ***products,***” but rather, Extreme’s reported revenues were only achieved through Defendants’ channel
20 stuffing scheme and other manipulative sales tactics implemented at the start of 4Q2022 as
21 Defendants were “running out of tricks in our bag” and needed to “get into the company [the] # that
22 the street expects.” *Supra*, Section IV.C This scheme included (i) forcing distributors to buy
23 unwanted and unneeded product in order to receive priority for inventory from Extreme’s backlog;
24 (ii) improperly “pulling in” sales from future quarters into the present by shipping products to
25 Extreme’s partners and resellers—even without a firm end customer purchase order to justify the
26 recognition of revenues; (iii) utilizing discounts, rebates, and other incentives with Extreme’s
27 customers to cause such customers to purchase outdated and unwanted product in exchange for a
28 right to return such product in future quarters after revenues were reported for the present quarter;

1 and (iv) preventing customers from making contractual returns or stock rotations in order to inflate
2 revenues. *Id.*

3 408. Extreme's 2022 Form 10-K also contained signed certifications by Defendants
4 Meyercord and Thomas pursuant to Section 302 of the Sarbanes Oxley Act of 2002 ("SOX"). These
5 SOX certifications attested to the accuracy of the Company's financial reporting, the disclosure of
6 any material changes to the Company's internal control over financial reporting, and the disclosure
7 of all fraud. In particular, Defendants Meyercord and Thomas certified in their official capacities that
8 "*[t]he information contained in the Report fairly presents, in all material respects, the financial*
9 *conditions and results of operations of the Company.*"

10 409. These sections of the 2022 Form 10-K were materially false or, at a minimum,
11 misleading when made and omitted material facts necessary to make the statements not misleading,
12 as Extreme did not disclose: (i) it was engaging in channel stuffing and manipulative sales and
13 inventory tactics which masked the level of organic demand and artificially inflated the Company's
14 revenues listed therein (***\$1.1 billion*** of total revenues and ***\$761.7 million*** of product revenues), as
15 discussed *supra* Section IV.C; and (ii) that the backlog of \$513.0 million stated therein was overstated
16 and inflated as the backlog did not reflect "firm" customer commitments, as discussed *supra* Section
17 IV.D.

18 **G. 1Q2023 Earnings Press Release (October 27, 2022)**

19 410. On October 27, 2022, the Company issued a press release entitled "Extreme Networks
20 Reports First Quarter Fiscal Year 2023 Financial Results," and was subtitled "Reiterates FY23
21 Revenue Growth Outlook of 10-15%." In the press release, Extreme reported ***1Q2023 revenues of***
22 ***\$297.7 million***, up 11% year-over-year, and up 7% quarter-over-quarter," ***with product revenues***
23 ***totaling \$206.3 million***, also up 11% year-over-year. These revenue figures were repeated in
24 Extreme's 1Q2023 Form 10-Q.

25 411. The statements touting these total and product revenue figures were false and
26 misleading when made because such revenues were only achieved through Defendants' channel
27 stuffing scheme. In reality, Extreme's reported revenues were only achieved through Defendants'
28 channel stuffing scheme and other manipulative sales tactics implemented at the start of 4Q2022 as

1 Defendants were “running out of tricks in our bag” and needed to “get into the company [the] # that
2 the street expects.” *Supra*, Section IV.C This scheme included (i) forcing distributors to buy
3 unwanted and unneeded product in order to receive priority for inventory from Extreme’s backlog;
4 (ii) improperly “pulling in” sales from future quarters into the present by shipping products to
5 Extreme’s partners and resellers—even without a firm end customer purchase order to justify the
6 recognition of revenues; (iii) utilizing discounts, rebates, and other incentives with Extreme’s
7 customers to cause such customers to purchase outdated and unwanted product in exchange for a
8 right to return such product in future quarters after revenues were reported for the present quarter;
9 and (iv) preventing customers from making contractual returns or stock rotations in order to inflate
10 revenues. *Id.*

11 412. This press release also stated:

12 ***“We delivered record quarterly revenue of \$297.7 million, and SaaS ARR of \$111***
13 ***million. Our customers view networking as a strategic asset, and they choose Extreme***
14 ***because we are the best choice to drive operational efficiencies and create better***
15 ***outcomes for their end users. This is evidenced by this quarter’s impressive double-***
digit revenue growth, record revenue, and continued growth of backlog, which now
sits at \$555 million,” said Ed Meyercord, President and CEO of Extreme.

16 “Extreme continues to take share in a thriving and competitive market. The flexibility
17 and intelligence of our products like Extreme Fabric, ExtremeCloud IQ, and
18 innovative capabilities such as Digital Twin and AIOps, are gamechangers. We make
19 it simple to deploy and manage networks, which transforms the way our customers
drive their businesses. ***The combination of our continued revenue growth and record***
backlog gives us even greater confidence in our long-term growth outlook,”
concluded Meyercord.

20 Extreme’s Chief Financial Officer Remi Thomas added, “In addition to our strong
21 topline results, both gross and operating margins improved sequentially. Our
22 subscription business revenue grew approximately 40% year-over-year driven by the
adoption of our cloud solutions. Given another quarter of strong free cash flow, we
retired \$37 million of our debt, which will be accretive to earnings.”

23 ***“As we look at the remainder of FY23, the continued improvement in the supply***
24 ***chain environment gives us further confidence in our topline growth outlook of 10-***
15%. We expect to cross the 60% gross margin threshold and achieve an operating
margin in the mid-teens in the second half of our fiscal year,” concluded Thomas.

25 413. Similarly, on October 27, 2022, Defendants also published their 1Q2023 Financial
26 Results Investor Presentation, which included a slide stating ***“Double-Digit Growth Fueled by***
27 ***Strong Demand and Execution,” “Continued Strong Growth,”*** and ***“Record Revenue on 11% Y/Y***
28

1 **Revenue Growth**,” as well as a slide titled “**Driving Growth**” indicating that “Product Backlog” of
2 **\$555 million** was a key driver of that “**Growth**.”

3 414. These statements above were false or, at a minimum, misleading when made and
4 omitted material facts necessary to make the statements not misleading, because at the time of the
5 statements, Extreme’s revenue growth was not based on “**strong demand**” from end customers or
6 reflect “**continued strong growth**” but rather, Extreme’s reported revenues were only achieved
7 through Defendants’ channel stuffing scheme and other manipulative sales tactics implemented at the
8 start of 4Q2022 as Defendants were “running out of tricks in our bag” and needed to “get into the
9 company [the] # that the street expects.” *Supra*, Section IV.C This scheme included (i) forcing
10 distributors to buy unwanted and unneeded product in order to receive priority for inventory from
11 Extreme’s backlog; (ii) improperly “pulling in” sales from future quarters into the present by shipping
12 products to Extreme’s partners and resellers—even without a firm end customer purchase order to
13 justify the recognition of revenues; (iii) utilizing discounts, rebates, and other incentives with
14 Extreme’s customers to cause such customers to purchase outdated and unwanted product in
15 exchange for a right to return such product in future quarters after revenues were reported for the
16 present quarter; and (iv) preventing customers from making contractual returns or stock rotations in
17 order to inflate revenues. *Id.*

18 415. These statements were also false or, at a minimum, misleading when made and omitted
19 material facts necessary to make the statements not misleading because at the time of the statements,
20 Extreme’s “**record backlog**” of \$555 million was not poised to generate continued revenue growth
21 for Extreme and was not sufficient to give the Company “**greater confidence in our long-term growth**
22 **outlook**” because: (i) the backlog did not reflect “firm” customer commitments as it was well known
23 internally that Extreme’s customers were double or triple booking orders from Extreme and then
24 cancelling those orders; (ii) Extreme’s backlog contracts with its customers were contractually
25 designed to be cancelled and were cancellable on a “quite flexible” basis, as the clauses within the
26 contracts for orders included provisions which provided for and effectuated customers’ double-
27 ordering practice; (iii) Extreme internally had already expected that Extreme’s backlog would be
28 cancelled by as much as 10% from Extreme’s customers—and the more appropriate number for the

1 hedge according to FE-7 was as high as 66%; (iv) Extreme’s backlog did not reflect true end user
2 commitment as proposed solutions such as the “B2B” clause were never implemented during the
3 Class Period; and (v) Extreme’s channel stuffing scheme implemented at the start of the Class Period
4 jeopardized and weakened the backlog because there was no incentive for distributors to place large
5 backlog orders when the FIFO fulfillment order was no longer honored. *See supra* Section IV.D.

6 **H. 1Q2023 Earnings Conference Call (October 27, 2022)**

7 416. On October 27, 2022, Defendant Meyercord stated the following in the Company’s
8 Earnings Call for 1Q2023:

9 *We had a record quarter as demand for cloud-driven networking and for Extreme*
10 *Solutions has never been stronger. Again, our share gains are evident by double-*
11 *digit revenue growth, record revenue and continued growth of backlog, which now*
12 *sits at \$555 million.*

13 ***

14 *On the supply chain side, we continue to be laser-focused on tactical execution to*
15 *meet our customers’ needs. Our distributors give us the highest rank in the*
16 *networking industry for delivering on our commit dates, and this is driving demand*
17 *and has become a source of new customer logos and partners for Extreme. This quarter*
18 *alone, we qualified an additional 50 component suppliers and reduced our part*
19 *shortages. Our success in reengineering products has also helped ease constraints.*
20 *Based on all the actions we’ve taken with our supply chain over the past year, we now*
21 *have better visibility and confidence in the ramp of our product deliveries. With a*
22 *strong outlook for bookings growth and the gradual improvement in supply, we expect*
23 *to build backlog through the end of the fiscal year. We anticipate neutral book-to-bill*
24 *or release of backlog in our fiscal Q1 of ’24. **Once backlog begins to release, it will***
25 *unlock an accelerated wave of product shipments and revenue growth over multiple*
26 *quarters. We have complete visibility into our product backlog, the vast majority of*
27 *which is comprised of orders with current delivery request dates.*

28 417. These statements above were false or, at a minimum, misleading when made and
omitted material facts necessary to make the statements not misleading, because at the time of the
statements, Extreme’s revenue growth was not based on “*demand [that] has never been stronger*”
from end customers but rather, Extreme’s reported revenues were only achieved through Defendants’
channel stuffing scheme and other manipulative sales tactics implemented at the start of 4Q2022 as
Defendants were “running out of tricks in our bag” and needed to “get into the company [the] # that
the street expects.” *Supra*, Section IV.C This scheme included (i) forcing distributors to buy
unwanted and unneeded product in order to receive priority for inventory from Extreme’s backlog;
(ii) improperly “pulling in” sales from future quarters into the present by shipping products to

1 Extreme’s partners and resellers—even without a firm end customer purchase order to justify the
2 recognition of revenues; (iii) utilizing discounts, rebates, and other incentives with Extreme’s
3 customers to cause such customers to purchase outdated and unwanted product in exchange for a
4 right to return such product in future quarters after revenues were reported for the present quarter;
5 and (iv) preventing customers from making contractual returns or stock rotations in order to inflate
6 revenues. *Id.*

7 418. These statements were also false or, at a minimum, misleading when made, and
8 omitted material facts necessary to make the statements not misleading, because: (i) the backlog did
9 not reflect “firm” customer commitments as it was well known internally that Extreme’s customers
10 were double or triple booking orders from Extreme and then cancelling those orders; (ii) Extreme’s
11 backlog contracts with its customers were contractually designed to be cancelled and were cancellable
12 on a “quite flexible” basis, as the clauses within the contracts for orders included provisions which
13 provided for and effectuated customers’ double-ordering practice; (iii) Extreme internally had already
14 expected that Extreme’s backlog would be cancelled by as much as 10% from Extreme’s customers—
15 and the more appropriate number for the hedge according to FE-7 was as high as 66%; (iv) Extreme’s
16 backlog did not reflect true end user commitment as proposed solutions such as the “B2B” clause
17 were never implemented during the Class Period; and (v) Extreme’s channel stuffing scheme
18 implemented at the start of the Class Period jeopardized and weakened the backlog because there was
19 no incentive for distributors to place large backlog orders when the FIFO fulfillment order was no
20 longer honored. *See supra* Section IV.D.

21 419. Defendant Thomas further stated in the Company’s Earnings Call:

22 Now turning to guidance. ***Our confidence in our outlook is further solidified by \$555***
23 ***million worth of product backlog exiting Q1.*** For Q2, we expect revenue to be in the
24 range of \$299 million to \$309 million. . . . ***So for the year, we expect 10% to 15%***
revenue growth.

25 420. These statements were false or, at a minimum, misleading when made and omitted
26 material facts necessary to make the statements not misleading because at the time of the statements,
27 Extreme’s backlog of \$555 million was not poised to generate continued revenue growth for Extreme,
28 because: (i) the backlog did not reflect “firm” customer commitments as it was well known internally

1 that Extreme’s customers were double or triple booking orders from Extreme and then cancelling
2 those orders; (ii) Extreme’s backlog contracts with its customers were contractually designed to be
3 cancelled and were cancellable on a “quite flexible” basis, as the clauses within the contracts for
4 orders included provisions which provided for and effectuated customers’ double-ordering practice;
5 (iii) Extreme internally had already expected that Extreme’s backlog would be cancelled by as much
6 as 10% from Extreme’s customers—and the more appropriate number for the hedge according to FE-
7 7 was as high as 66%; (iv) Extreme’s backlog did not reflect true end user commitment as proposed
8 solutions such as the “B2B” clause were never implemented during the Class Period; and (v)
9 Extreme’s channel stuffing scheme implemented at the start of the Class Period jeopardized and
10 weakened the backlog because there was no incentive for distributors to place large backlog orders
11 when the FIFO fulfillment order was no longer honored. *See supra* Section IV.D.

12
13 421. In the same Earnings Call, analysts asked Defendants about “decommits”—*i.e.*,
14 cancellations by customers—and one analyst asked: “[t]he other question I had is on the decommits
15 comments you made, it sounded liked decommits are declining, but still happening. Is that accurate?
16 Or have the decommits basically stopped at this point?” Defendant Thomas responded:

17 Alex, decommits are just -- it would be a normal part of the business. ***These are one-***
18 ***offs.*** And I can tell you right now because of our scrutiny around this, each and every
19 decommit, to the extent there is one, gets a lot of scrutiny from us. And there's no
20 consistency around it. So the example I might give would be a government agency that
21 has budget. They can't get supply by the end of the year, it's use it or lose it. So they
22 want to reprioritize another spend. ***So they might cancel an order or and maybe that***
23 ***comes into the budget for the following year based on that dynamic. But these are***
24 ***things that are not really supply chain. I guess you could say that supply chain***
25 ***related, but these are more one-offs. And so we're not really seeing a change in the***
26 ***one-offs, and they remain at a fraction of 1%.***

27 422. These statements were false or, at a minimum, misleading when made and omitted
28 material facts necessary to make the statements not misleading because: (i) the backlog did not reflect
“firm” customer commitments as it was well known internally that Extreme’s customers were double
or triple booking orders from Extreme and then cancelling those orders; (ii) Extreme’s backlog
contracts with its customers were contractually designed to be cancelled and were cancellable on a
“quite flexible” basis, as the clauses within the contracts for orders included provisions which
provided for and effectuated customers’ double-ordering practice; (iii) Extreme internally had already

1 expected that Extreme’s backlog would be cancelled by as much as 10% from Extreme’s customers—
2 and the more appropriate number for the hedge according to FE-7 was as high as 66%; (iv) Extreme’s
3 backlog did not reflect true end user commitment as proposed solutions such as the “B2B” clause
4 were never implemented during the Class Period; and (v) Extreme’s channel stuffing scheme
5 implemented at the start of the Class Period jeopardized and weakened the backlog because there was
6 no incentive for distributors to place large backlog orders when the FIFO fulfillment order was no
7 longer honored. *See supra* Section IV.D.

8 **I. 1Q2023 Form 10-Q (October 28, 2022)**

9 423. On October 28, 2022, Extreme filed with the SEC its 2023 First Quarter Form 10-Q
10 for the quarterly period ended September 30, 2022 (“1Q2023”), which contained signed certifications
11 by Defendants Meyercord and Thomas pursuant to Section 302 of SOX. These SOX certifications
12 again attested to the accuracy of the Company’s financial reporting, the disclosure of any material
13 changes to the Company’s internal control over financial reporting, and the disclosure of all fraud.
14 The 1Q2023 Form 10-Q stated total revenues of **\$297.7 million** and product revenues of **\$206.3**
15 million for the quarter.

16 424. These sections of the 1Q2023 Form 10-Q were materially false or, at a minimum,
17 misleading when made and omitted material facts necessary to make the statements not misleading,
18 as Extreme did not disclose that it was engaging in channel stuffing and manipulative sales and
19 inventory tactics which masked the level of organic demand and artificially inflated the Company’s
20 revenue listed therein (**\$297.7 million** of total revenues and **\$206.3 million** of product revenues). In
21 reality, Extreme’s reported revenues were only achieved through Defendants’ channel stuffing
22 scheme and other manipulative sales tactics implemented at the start of 4Q2022 as Defendants were
23 “running out of tricks in our bag” and needed to “get into the company [the] # that the street expects.”
24 *Supra*, Section IV.C This scheme included (i) forcing distributors to buy unwanted and unneeded
25 product in order to receive priority for inventory from Extreme’s backlog; (ii) improperly “pulling
26 in” sales from future quarters into the present by shipping products to Extreme’s partners and
27 resellers—even without a firm end customer purchase order to justify the recognition of revenues;
28 (iii) utilizing discounts, rebates, and other incentives with Extreme’s customers to cause such

1 customers to purchase outdated and unwanted product in exchange for a right to return such product
2 in future quarters after revenues were reported for the present quarter; and (iv) preventing customers
3 from making contractual returns or stock rotations in order to inflate revenues. *Id.*

4 **J. Needham Virtual Security, Networking & Communications Conference**
5 **(November 15, 2022)**

6 425. In this conference, Defendant Meyercord responded to a Needham analyst question
7 regarding the “robust results” that Extreme had been experiencing:

8 **Analyst Question:** And congratulations on unbelievable year that you've been having.
9 So, that's a superb performance in a very challenging environment. So, maybe you
10 could just start-off with a little bit of a background on how you got to where you are
11 from being a \$75 million a quarter company 10 years ago that hadn't had any growth
12 for a decade to a company with the kind of robust results you've been proessed in?

13 **Meyercord:** . . . *And as you and I've discussed, we built up quite a bit of backlog*
14 *because of the supply chain scenario, but it's all very high quality and we are very*
15 *confident in the backlog. And so in a way, it just gives us a lot of confidence in the*
16 *revenue growth forecast that we've got into the future and for the next couple of*
17 *years. So, we are in a different place and we're going to continue to build on this.*
18 *We've got a great team and yeah, we're hitting on all cylinders right now.*

19 426. The Needham analyst followed up on Defendant Meyercord's response, expressing
20 that it was “surprising” that Meyercord “made some pretty positive comments about the backlog
21 staying pretty much where it is through the June fiscal year end quarter,” to which Meyercord
22 emphasized the strength pf the backlog firmness:

23 **Analyst Question:** “So just to put that into some context, there [has] obviously been
24 very nice growth over the FY 2022 timeframe. You produced, I think it was 10% top
25 line growth, a nice acceleration from the 6.5%. But that growth rate is understating it
26 by a lot. As you pointed out, the order growth rate was way above that. You have now
27 built up a big backlog. So, you know, if I look at the backlog.

28 As you pointed out, the order growth rate was way above that there. You've now built
up a big backlog. So, you know, if I look at the backlog today, it's running at what
62% of four quarter, you know, product sales. That should give you significant
insulation if we go through an economic cycle. So, can you talk about how you see
that progressing. [S]urprisingly, it made some pretty positive comments about the
backlog staying pretty much where it is through the June fiscal year end quarter.

Meyercord: *We're not seeing [decommits], we're not seeing de-books. The number*
that we've thrown out as a fraction of 1% and we would attribute that more than
normal course of business kind of thing. So, yeah to your point, we're feeling a lot
of confidence in the backlog number we have.

1 427. These statements were false or, at a minimum, misleading when made and omitted
2 material facts necessary to make the statements not misleading because at the time of the statements,
3 Extreme's backlog was not "*high quality*" and poised to generate continued revenue growth for
4 Extreme, and because of double and triple ordering the risk of "decommits" was not "*a fraction of*
5 *I%*" because: (i) the backlog did not reflect "firm" customer commitments as it was well known
6 internally that Extreme's customers were double or triple booking orders from Extreme and then
7 cancelling those orders; (ii) Extreme's backlog contracts with its customers were contractually
8 designed to be cancelled and were cancellable on a "quite flexible" basis, as the clauses within the
9 contracts for orders included provisions which provided for and effectuated customers' double-
10 ordering practice; (iii) Extreme internally had already expected that Extreme's backlog would be
11 cancelled by as much as 10% from Extreme's customers—and the more appropriate number for the
12 hedge according to FE-7 was as high as 66%; (iv) Extreme's backlog did not reflect true end user
13 commitment as proposed solutions such as the "B2B" clause were never implemented during the
14 Class Period; and (v) Extreme's channel stuffing scheme implemented at the start of the Class Period
15 jeopardized and weakened the backlog because there was no incentive for distributors to place large
16 backlog orders when the FIFO fulfillment order was no longer honored. *See supra* Section IV.D.

17 428. Later in the same conference, Defendant Meyercord stated that revenues had actually
18 been underreported, as they've been stored in the Company's backlog:

19 **Analyst Question:** So, let's talk a little bit about the mechanics of what would happen
20 should the supply chain improve, given the parameters that you just described. You're
21 looking at a pretty good growth rate in the fiscal year. But if I were to look out and
22 say, okay, if I were to get modestly more availability instead of the growth rate of, say,
12% in revenues in that timeframe. Could it be 15% to 20% and dig into that backlog
a little sooner and we have a lot of leverage?

23 **Meyercord:** Absolutely. We haven't made the call yet for – a revised call yet in terms
24 of supply chain and the implication for that in terms of unlocking backlog. But the
25 answer is, yes. It absolutely could be. And as you know, as we see that, we also have
26 some interesting investment opportunities that we're looking at to drive bookings
growth. There's operating leverage in the model, Alex, what as you know, gets us
excited as we look at this, because I say it kind of tongue in cheek, *but we've been*
underreporting our earnings, because we haven't been showing our revenue,
because we've been putting in backlog. Meanwhile, we've been paying for it.

27 429. These statements were false or, at a minimum, misleading when made and omitted
28 material facts necessary to make the statements not misleading, because at the time of the statements,

1 Extreme’s backlog was not poised to generate continued revenue growth for Extreme, because: (i)
2 the backlog did not reflect “firm” customer commitments as it was well known internally that
3 Extreme’s customers were double or triple booking orders from Extreme and then cancelling those
4 orders; (ii) Extreme’s backlog contracts with its customers were contractually designed to be
5 cancelled and were cancellable on a “quite flexible” basis, as the clauses within the contracts for
6 orders included provisions which provided for and effectuated customers’ double-ordering practice;
7 (iii) Extreme internally had already expected that Extreme’s backlog would be cancelled by as much
8 as 10% from Extreme’s customers—and the more appropriate number for the hedge according to FE-
9 7 was as high as 66%; (iv) Extreme’s backlog did not reflect true end user commitment as proposed
10 solutions such as the “B2B” clause were never implemented during the Class Period; and (v)
11 Extreme’s channel stuffing scheme implemented at the start of the Class Period jeopardized and
12 weakened the backlog because there was no incentive for distributors to place large backlog orders
13 when the FIFO fulfillment order was no longer honored. *See supra* Section IV.D.

14 **K. 2Q2023 Earnings Press Release (January 25, 2023)**

15 430. On January 25, 2023, Extreme issued a press release entitled “Extreme Networks
16 Reports Second Quarter Fiscal Year 2023 Financial Results,” and was subtitled “Delivers Consistent
17 Double-Digit Growth and Raises FY23 Revenue Outlook.” In the press release, Extreme reported
18 total revenues for the quarter of “**\$318.3 million**, up 13% year-over-year, and up 7% quarter-over-
19 quarter, with product revenues of **\$223.4 million**, up 17% year-over-year. These revenue figures were
20 repeated in Extreme’s 2Q2023 Form 10-Q.

21 431. The statements touting these total and product revenue figures were false and
22 misleading when made because in reality, Extreme’s reported revenues were only achieved through
23 Defendants’ channel stuffing scheme and other manipulative sales tactics implemented at the start of
24 4Q2022 as Defendants were “running out of tricks in our bag” and needed to “get into the company
25 [the] # that the street expects.” *Supra*, Section IV.C This scheme included (i) forcing distributors to
26 buy unwanted and unneeded product in order to receive priority for inventory from Extreme’s
27 backlog; (ii) improperly “pulling in” sales from future quarters into the present by shipping products
28 to Extreme’s partners and resellers—even without a firm end customer purchase order to justify the

1 recognition of revenues; (iii) utilizing discounts, rebates, and other incentives with Extreme’s
2 customers to cause such customers to purchase outdated and unwanted product in exchange for a
3 right to return such product in future quarters after revenues were reported for the present quarter;
4 and (iv) preventing customers from making contractual returns or stock rotations in order to inflate
5 revenues. *Id.*

6 432. The press release also stated in relevant part:

7 President and CEO Ed Meyercord stated: “Extreme delivered another quarter of great
8 results. ***The continued strength of subscription and accelerated product deliveries***
9 ***drove another quarter of double-digit year-over-year revenue growth. We are raising***
10 ***our FY23 revenue growth outlook to the high-end of our 10-15% range and expect***
11 ***this momentum to continue into FY24, as the supply chain environment continues***
12 ***to improve.***”

13 ***“We feel confident in end customer demand.*** The majority of our bookings are with
14 government, education, and healthcare sectors, where spending is more resilient. Our
15 enhanced fabric and cloud subscription offerings are gaining traction in the
16 marketplace. Finally, ***we have good visibility for the second half of the year based on***
17 ***the strength of our sales funnel,***” continued Meyercord.

18 433. These statements above were false or, at a minimum, misleading when made and
19 omitted material facts necessary to make the statements not misleading because at the time of the
20 statements, Extreme’s revenue growth was not based on “end customer demand.” In reality,
21 Extreme’s reported revenues were only achieved through Defendants’ channel stuffing scheme and
22 other manipulative sales tactics implemented at the start of 4Q2022 as Defendants were “running out
23 of tricks in our bag” and needed to “get into the company [the] # that the street expects.” *Supra*,
24 Section IV.C This scheme included (i) forcing distributors to buy unwanted and unneeded product in
25 order to receive priority for inventory from Extreme’s backlog; (ii) improperly “pulling in” sales from
26 future quarters into the present by shipping products to Extreme’s partners and resellers—even
27 without a firm end customer purchase order to justify the recognition of revenues; (iii) utilizing
28 discounts, rebates, and other incentives with Extreme’s customers to cause such customers to
purchase outdated and unwanted product in exchange for a right to return such product in future
quarters after revenues were reported for the present quarter; and (iv) preventing customers from
making contractual returns or stock rotations in order to inflate revenues. *Id.*

1 **L. 2Q2023 Earnings Investor Presentation (January 25, 2023)**

2 434. On January 25, 2023, Defendants published their 2Q2023 Financial Results Investor
3 Presentation, which included a slide stating “*Continued Double-Digit Y/Y Revenue Growth,*”
4 “*Continued Strong Growth,*” and “*Record Revenue on 13% Y/Y Revenue Growth,*” as well as a
5 slide titled “*Driving Growth*” indicating that Product Backlog of *\$542 million* was a key driver of
6 that “*Growth.*”

7 435. These statements above were false or, at a minimum, misleading when made and
8 omitted material facts necessary to make the statements not misleading because at the time of the
9 statements, Extreme’s revenue growth was not based on “end customer demand.” In reality,
10 Extreme’s reported revenues were only achieved through Defendants’ channel stuffing scheme and
11 other manipulative sales tactics implemented at the start of 4Q2022 as Defendants were “running out
12 of tricks in our bag” and needed to “get into the company [the] # that the street expects.” *Supra,*
13 Section IV.C This scheme included (i) forcing distributors to buy unwanted and unneeded product in
14 order to receive priority for inventory from Extreme’s backlog; (ii) improperly “pulling in” sales from
15 future quarters into the present by shipping products to Extreme’s partners and resellers—even
16 without a firm end customer purchase order to justify the recognition of revenues; (iii) utilizing
17 discounts, rebates, and other incentives with Extreme’s customers to cause such customers to
18 purchase outdated and unwanted product in exchange for a right to return such product in future
19 quarters after revenues were reported for the present quarter; and (iv) preventing customers from
20 making contractual returns or stock rotations in order to inflate revenues. *Id.*

21 436. These statements were also false or, at a minimum, misleading when made and omitted
22 material facts necessary to make the statements not misleading, because at the time of the statements,
23 Extreme’s backlog was not poised to generate “revenue growth,” because: (i) the backlog did not
24 reflect “firm” customer commitments as it was well known internally that Extreme’s customers were
25 double or triple booking orders from Extreme and then cancelling those orders; (ii) Extreme’s backlog
26 contracts with its customers were contractually designed to be cancelled and were cancellable on a
27 “quite flexible” basis, as the clauses within the contracts for orders included provisions which
28 provided for and effectuated customers’ double-ordering practice; (iii) Extreme internally had already

1 expected that Extreme’s backlog would be cancelled by as much as 10% from Extreme’s customers—
2 and the more appropriate number for the hedge according to FE-7 was as high as 66%; (iv) Extreme’s
3 backlog did not reflect true end user commitment as proposed solutions such as the “B2B” clause
4 were never implemented during the Class Period; and (v) Extreme’s channel stuffing scheme
5 implemented at the start of the Class Period jeopardized and weakened the backlog because there was
6 no incentive for distributors to place large backlog orders when the FIFO fulfillment order was no
7 longer honored. *See supra* Section IV.D.

8 **M. 2Q2023 Earnings Conference Call (January 25, 2023)**

9 437. On January 25, 2023, Defendant Meyercord highlighted the Company’s
10 “exceptionally strong” customer demand, the Company’s market share gains, and the size of its
11 backlog in raising Extreme’s guidance, stating:

12 *We had another record quarter, as demand for cloud-driven networking and for*
13 *Extreme Solutions remains exceptionally strong with good visibility through fiscal*
14 *year end '23, leading us to raise our full year revenue outlook to the high end of our*
15 *range.*

16 Our share gains are evident by a second consecutive quarter of double-digit revenue
17 growth, 17% growth in product revenue, record free cash flow and a sizable backlog.

18 . . .

19 On the supply chain side, our ability to pull in components enabled us to achieve
20 revenue upside, which we believe is sustainable into the second half of the year. As a
21 result, we are raising our revenue outlook to the high-end of our prior 10% to 15%
22 guidance range. We continue to be laser-focused on tactical execution to meet our
23 customer’s needs. . . . With a strong outlook for bookings growth and the gradual
24 improvement of supply, we expect backlogs to remain relatively stable for the next
25 several quarters. *We’re in the beginning stages of an accelerated wave of product*
26 *shipments and revenue growth over multiple quarters.* The majority of our backlog
27 consists of the latest generation universal products that pull-through subscription and
28 service bookings.

438. The statements above were false or, at a minimum, misleading when made and omitted
material facts necessary to make the statements not misleading because at the time of the statements,
Extreme’s revenue growth was not based on “exceptionally strong” demand from Extreme’s
customers. In reality, Extreme’s reported revenues were only achieved through Defendants’ channel
stuffing scheme and other manipulative sales tactics implemented at the start of 4Q2022 as
Defendants were “running out of tricks in our bag” and needed to “get into the company [the] # that

1 the street expects.” *Supra*, Section IV.C This scheme included (i) forcing distributors to buy
2 unwanted and unneeded product in order to receive priority for inventory from Extreme’s backlog;
3 (ii) improperly “pulling in” sales from future quarters into the present by shipping products to
4 Extreme’s partners and resellers—even without a firm end customer purchase order to justify the
5 recognition of revenues; (iii) utilizing discounts, rebates, and other incentives with Extreme’s
6 customers to cause such customers to purchase outdated and unwanted product in exchange for a
7 right to return such product in future quarters after revenues were reported for the present quarter;
8 and (iv) preventing customers from making contractual returns or stock rotations in order to inflate
9 revenues. *Id.*

10
11 439. These statements were also false or, at a minimum, misleading when made and omitted
12 material facts necessary to make the statements not misleading because at the time of the statements,
13 Extreme’s backlog was not poised to generate “*an accelerated wave of product shipments and*
14 *revenue growth*” for Extreme, because: (i) the backlog did not reflect “firm” customer commitments
15 as it was well known internally that Extreme’s customers were double or triple booking orders from
16 Extreme and then cancelling those orders; (ii) Extreme’s backlog contracts with its customers were
17 contractually designed to be cancelled and were cancellable on a “quite flexible” basis, as the clauses
18 within the contracts for orders included provisions which provided for and effectuated customers’
19 double-ordering practice; (iii) Extreme internally had already expected that Extreme’s backlog would
20 be cancelled by as much as 10% from Extreme’s customers—and the more appropriate number for
21 the hedge according to FE-7 was as high as 66%; (iv) Extreme’s backlog did not reflect true end user
22 commitment as proposed solutions such as the “B2B” clause were never implemented during the
23 Class Period; and (v) Extreme’s channel stuffing scheme implemented at the start of the Class Period
24 jeopardized and weakened the backlog because there was no incentive for distributors to place large
25 backlog orders when the FIFO fulfillment order was no longer honored. *See supra* Section IV.D.

26 440. Later during the Earnings Call, Defendant Tate stated:

27 Now turning to guidance. *As we enter the second half [of FY2023], our confidence*
28 *in the revenue outlook is supported by our product backlog of \$542 million, our*
services and subscription deferred revenue balance of \$446 million, as well as a

1 product pipeline that is up double-digits year-over-year. . . . ***Against this backdrop,***
2 ***we expected for Q3 revenue to be in the range of \$315 million to \$325 million,*** gross
3 margin to be in the range of 58% to 60%, operating expenses to be in the range of \$140
4 million to \$145 million, and earnings to be in the range of \$31.1 million to \$38.4
million, or \$0.23 to \$0.29 per diluted share. We expect to cross the 60% gross margin
threshold in Q4. For full fiscal year '23, we expect revenue growth towards the high
end of our 10% to 15% outlook, with an operating margin in the mid-teens.

5 441. The statements above were false or, at a minimum, misleading when made and omitted
6 material facts necessary to make the statements not misleading because at the time of the statements,
7 Extreme's backlog was not poised to generate continued revenue growth for Extreme, because: (i)
8 the backlog did not reflect "firm" customer commitments as it was well known internally that
9 Extreme's customers were double or triple booking orders from Extreme and then cancelling those
10 orders; (ii) Extreme's backlog contracts with its customers were contractually designed to be
11 cancelled and were cancellable on a "quite flexible" basis, as the clauses within the contracts for
12 orders included provisions which provided for and effectuated customers' double-ordering practice;
13 (iii) Extreme internally had already expected that Extreme's backlog would be cancelled by as much
14 as 10% from Extreme's customers—and the more appropriate number for the hedge according to FE-
15 7 was as high as 66%; (iv) Extreme's backlog did not reflect true end user commitment as proposed
16 solutions such as the "B2B" clause were never implemented during the Class Period; and (v)
17 Extreme's channel stuffing scheme implemented at the start of the Class Period jeopardized and
18 weakened the backlog because there was no incentive for distributors to place large backlog orders
19 when the FIFO fulfillment order was no longer honored. *See supra* Section IV.D.

20 **N. 2Q2023 Form 10-Q (January 27, 2023)**

21 442. On January 27, 2023, Extreme filed with the SEC its 2023 Second Quarter Form 10-
22 Q for the quarterly period ended December 31, 2022 ("2Q2023"), which contained signed
23 certifications by Defendants Meyercord and Thomas pursuant to Section 302 of SOX. These SOX
24 certifications again attested to the accuracy of the Company's financial reporting, the disclosure of
25 any material changes to the Company's internal control over financial reporting, and the disclosure
26 of all fraud. The 2Q2023 Form 10-Q stated total revenues of ***\$318.3 million*** and product revenues of
27 ***\$223.4 million*** for the quarter.

1 443. These sections of the 2Q2023 Form 10-Q were materially false or, at a minimum,
2 misleading when made and omitted material facts necessary to make the statements not misleading,
3 as Extreme did not disclose that it was engaging in channel stuffing and manipulative sales and
4 inventory tactics which masked the level of organic demand and artificially inflated the Company's
5 revenue listed therein (**\$318.3 million** of total revenues and **\$223.4 million** of product revenues).
6 Indeed, the statements touting these total and product revenue figures were false and misleading when
7 made because in reality, Extreme's reported revenues were only achieved through Defendants'
8 channel stuffing scheme and other manipulative sales tactics implemented at the start of 4Q2022 as
9 Defendants were "running out of tricks in our bag" and needed to "get into the company [the] # that
10 the street expects." *Supra*, Section IV.C This scheme included (i) forcing distributors to buy
11 unwanted and unneeded product in order to receive priority for inventory from Extreme's backlog;
12 (ii) improperly "pulling in" sales from future quarters into the present by shipping products to
13 Extreme's partners and resellers—even without a firm end customer purchase order to justify the
14 recognition of revenues; (iii) utilizing discounts, rebates, and other incentives with Extreme's
15 customers to cause such customers to purchase outdated and unwanted product in exchange for a
16 right to return such product in future quarters after revenues were reported for the present quarter;
17 and (iv) preventing customers from making contractual returns or stock rotations in order to inflate
18 revenues. *Id.*

19 **O. 3Q2023 Earnings Conference Call (April 26, 2023)**

20 444. On April 26, 2023, Defendants highlighted the quarter's record results, which
21 Defendants attributed to "improvements in our supply chain" and "demand trends." Additionally,
22 Defendants stated their backlog will normalize to a revised range of \$75 million to \$100 million in
23 1Q2025. Defendant Meyercord further indicated that their current product backlog for end of
24 3Q2023 "represented 5x our expected normalized level," or about \$437.5 million at the midpoint.

25 445. In the Earnings Call, Defendant Meyercord stated:

26 ***Extreme delivered another quarter of record results, driven by solid execution of our***
27 ***teams. Our top line performance was highlighted by improvements in our supply***
28 ***chain that drove 16% total revenue growth and 22% product revenue growth on a***
year-over-year basis. We achieved double-digit growth in 8 of the past 9 quarters. Our
operating margin and EBITDA also achieved quarterly records in Q3. . . .Although

1 our Q3 bookings typically decline sequentially in the March quarter, *we in fact grew*
2 *from December, reflecting strong demand.*

3 446. These statements were false or, at a minimum, misleading when made and omitted
4 material facts necessary to make the statements not misleading because at the time of the statements,
5 Extreme's revenue growth was not based on "strong demand" from Extreme's customers. In reality,
6 Extreme's reported revenues were only achieved through Defendants' channel stuffing scheme and
7 other manipulative sales tactics implemented at the start of 4Q2022 as Defendants were "running out
8 of tricks in our bag" and needed to "get into the company [the] # that the street expects." *Supra*,
9 Section IV.C This scheme included (i) forcing distributors to buy unwanted and unneeded product in
10 order to receive priority for inventory from Extreme's backlog; (ii) improperly "pulling in" sales from
11 future quarters into the present by shipping products to Extreme's partners and resellers—even
12 without a firm end customer purchase order to justify the recognition of revenues; (iii) utilizing
13 discounts, rebates, and other incentives with Extreme's customers to cause such customers to
14 purchase outdated and unwanted product in exchange for a right to return such product in future
15 quarters after revenues were reported for the present quarter; and (iv) preventing customers from
16 making contractual returns or stock rotations in order to inflate revenues. *Id.*

17 447. In the same Earnings Call, Defendant Tate stated:

18 *Q3 financial results reflect record revenue, operating margin, and EBITDA, driven*
19 *by increased product availability. . . . We are confident in our Q4 and FY '23 outlook*
20 *and reiterate our commitment to mid-teens long-term growth through fiscal year*
21 *'25. Our third quarter revenue of \$332.5 million grew 16% year-over-year and 4%*
22 *quarter-over-quarter, exceeding the high end of our expectations entering the*
23 *quarter. . .*

24 *Now turning to guidance, we remain confident in the revenue outlook for Q4 as*
25 *supported by our strong funnel of opportunities, our product backlog and our*
26 *services and subscription deferred revenue balance. . . . We continue to expect that the*
27 *reduction in expedite fees and shipping costs, combined with the full impact of our*
28 *recent pricing actions, will lead to a continued recovery in gross margin in Q4 and into*
fiscal year '24. Against this backdrop, we expect for Q4 revenue to be in the range
of \$340 million to \$350 million[.]

448. The statements were false or, at a minimum, misleading when made and omitted
material facts necessary to make the statements not misleading because at the time of the statements,
Extreme's backlog was not poised to generate continued revenue growth for Extreme, because: (i)
the backlog did not reflect "firm" customer commitments as it was well known internally that

1 Extreme’s customers were double or triple booking orders from Extreme and then cancelling those
2 orders; (ii) Extreme’s backlog contracts with its customers were contractually designed to be
3 cancelled and were cancellable on a “quite flexible” basis, as the clauses within the contracts for
4 orders included provisions which provided for and effectuated customers’ double-ordering practice;
5 (iii) Extreme internally had already expected that Extreme’s backlog would be cancelled by as much
6 as 10% from Extreme’s customers—and the more appropriate number for the hedge according to FE-
7 7 was as high as 66%; (iv) Extreme’s backlog did not reflect true end user commitment as proposed
8 solutions such as the “B2B” clause were never implemented during the Class Period; and (v)
9 Extreme’s channel stuffing scheme implemented at the start of the Class Period jeopardized and
10 weakened the backlog because there was no incentive for distributors to place large backlog orders
11 when the FIFO fulfillment order was no longer honored. *See supra* Section IV.D.

12 449. In response to continued analyst concerns about the decrease in backlog and
13 conversion of backlog into revenue, Defendant Meyercord again sought to divert discussion of the
14 backlog decrease and to not “get into sort of dissecting backlog:”

15 **Analyst Question:** As we look at the backlog, which we discussed looked to be down
16 roughly \$100 million due to adjustments in distributor orders, can you tell us what
17 percentage of the backlog that’s left is deferred revenue, customer orders or
18 distributors still?

18 **Meyercord:** What we’ve said is that overall backlog is about 5x. Obviously,
19 distributor behavior is a little more tied to lead times and lead times came down faster.
20 *We’re expecting them to come down, so we really don’t want to get into sort of
21 dissecting backlog. Really what we want to do is reinforce our outlook of revenue
22 growth. And we’re doing that out through our fiscal ’25, which is out there. We
23 baked that into our revenue guide, and that’s where we’re trying to focus everyone.*

24 450. The statements above were false or, at a minimum, misleading when made and omitted
25 material facts necessary to make the statements not misleading because Extreme’s backlog was not
26 poised to generate continued revenue growth for Extreme, because: (i) the backlog did not reflect
27 “firm” customer commitments as it was well known internally that Extreme’s customers were double
28 or triple booking orders from Extreme and then cancelling those orders; (ii) Extreme’s backlog
contracts with its customers were contractually designed to be cancelled and were cancellable on a
“quite flexible” basis, as the clauses within the contracts for orders included provisions which
provided for and effectuated customers’ double-ordering practice; (iii) Extreme internally had already

1 expected that Extreme’s backlog would be cancelled by as much as 10% from Extreme’s customers—
2 and the more appropriate number for the hedge according to FE-7 was as high as 66%; (iv) Extreme’s
3 backlog did not reflect true end user commitment as proposed solutions such as the “B2B” clause
4 were never implemented during the Class Period; and (v) Extreme’s channel stuffing scheme
5 implemented at the start of the Class Period jeopardized and weakened the backlog because there was
6 no incentive for distributors to place large backlog orders when the FIFO fulfillment order was no
7 longer honored. *See supra* Section IV.D.

8 **P. 3Q2023 Form 10-Q (April 27, 2023)**

9 451. On April 27, 2023, Extreme filed with the SEC its 2023 Third Quarter Form 10-Q for
10 the quarterly period ended March 30, 2022 (“3Q2023”), which contained signed certifications by
11 Defendants Meyercord and Tate pursuant to Section 302 of SOX. These SOX certifications again
12 attested to the accuracy of the Company’s financial reporting, the disclosure of any material changes
13 to the Company’s internal control over financial reporting, and the disclosure of all fraud. In the
14 3Q2023 Form 10-Q, Extreme reported total revenues of **\$332.5 million** and product revenues of
15 **\$241.1 million** for the quarter.

16 452. These sections of the 3Q2023 Form 10-Q were materially false or, at a minimum,
17 misleading when made and omitted material facts necessary to make the statements not misleading,
18 as Extreme did not disclose that it was engaging in channel stuffing and manipulative sales and
19 inventory tactics which masked the level of organic demand and artificially inflated the Company’s
20 revenue listed therein (**\$332.5 million** of total revenues and **\$241.1 million** of product revenues).
21 Indeed, In reality, Extreme’s reported revenues were only achieved through Defendants’ channel
22 stuffing scheme and other manipulative sales tactics implemented at the start of 4Q2022 as
23 Defendants were “running out of tricks in our bag” and needed to “get into the company [the] # that
24 the street expects.” *Supra*, Section IV.C This scheme included (i) forcing distributors to buy
25 unwanted and unneeded product in order to receive priority for inventory from Extreme’s backlog;
26 (ii) improperly “pulling in” sales from future quarters into the present by shipping products to
27 Extreme’s partners and resellers—even without a firm end customer purchase order to justify the
28 recognition of revenues; (iii) utilizing discounts, rebates, and other incentives with Extreme’s

1 customers to cause such customers to purchase outdated and unwanted product in exchange for a
2 right to return such product in future quarters after revenues were reported for the present quarter;
3 and (iv) preventing customers from making contractual returns or stock rotations in order to inflate
4 revenues. *Id.*

5 **Q. Needham Technology & Media Conference (May 17, 2023)**

6 453. On May 17, 2023, Defendant Tate made the following statements in her exchange with
7 an analyst in the Conference:

8 **Analyst Question:** ...you guys have pretty good visibility four, five, six quarters at
9 least, and a pretty strong pipeline. So can you talk a little bit about...the pipeline and
10 visibility that you're seeing in terms of new customer wins, in terms of the aging and
11 weighting of that pipeline?"

12 **Tate:** So we're always—obviously, we're very keen on demand and where demand is
13 going. And so, we do a lot of analytics around that...***And we're seeing good demand.***
14 ***We're seeing double-digit growth in our weighted funnel year over year. And so that***
15 ***gives us confidence that demand is going to continue.*** We saw, like you said, new
16 logo growth, 20% bookings growth from new logos. And so we're expanding into
17 different markets, going beyond our installed base. We're seeing larger deals in our
18 funnel than we have in the past. And so we're competing at a higher level. So all of
19 those things contribute.

20 ***As far as visibility, we have our backlog. We talk a lot about our product backlog,***
21 ***but we also have services and subscription backlog that goes along with that.*** We've
22 been growing our subscription business, which gives us visibility as far as our deferred
23 revenue balance, our ARR, what we can expect quarter-after-quarter. ***So between the***
24 ***backlog and the deferred revenue that we will recognize over time, we have really***
25 ***good, probably better than ever visibility into what we're going to achieve through***
26 ***the next fiscal year.***

27 454. These statements were false or, at a minimum, misleading when made and omitted
28 material facts necessary to make the statements not misleading because at the time of the statements,
Extreme's "***double-digit***" revenue growth was not based on "***good demand***" from Extreme's
customers. In reality, Extreme's reported revenues were only achieved through Defendants' channel
stuffing scheme and other manipulative sales tactics implemented at the start of 4Q2022 as
Defendants were "running out of tricks in our bag" and needed to "get into the company [the] # that
the street expects." *Supra*, Section IV.C This scheme included (i) forcing distributors to buy
unwanted and unneeded product in order to receive priority for inventory from Extreme's backlog;
(ii) improperly "pulling in" sales from future quarters into the present by shipping products to
Extreme's partners and resellers—even without a firm end customer purchase order to justify the

1 recognition of revenues; (iii) utilizing discounts, rebates, and other incentives with Extreme’s
2 customers to cause such customers to purchase outdated and unwanted product in exchange for a
3 right to return such product in future quarters after revenues were reported for the present quarter;
4 and (iv) preventing customers from making contractual returns or stock rotations in order to inflate
5 revenues. *Id.*

6 455. The statements were also false or, at a minimum, misleading when made and omitted
7 material facts necessary to make the statements not misleading because Extreme’s backlog was not
8 poised to generate continued revenue growth for Extreme, because: (i) the backlog did not reflect
9 “firm” customer commitments as it was well known internally that Extreme’s customers were double
10 or triple booking orders from Extreme and then cancelling those orders; (ii) Extreme’s backlog
11 contracts with its customers were contractually designed to be cancelled and were cancellable on a
12 “quite flexible” basis, as the clauses within the contracts for orders included provisions which
13 provided for and effectuated customers’ double-ordering practice; (iii) Extreme internally had already
14 expected that Extreme’s backlog would be cancelled by as much as 10% from Extreme’s customers—
15 and the more appropriate number for the hedge according to FE-7 was as high as 66%; (iv) Extreme’s
16 backlog did not reflect true end user commitment as proposed solutions such as the “B2B” clause
17 were never implemented during the Class Period; and (v) Extreme’s channel stuffing scheme
18 implemented at the start of the Class Period jeopardized and weakened the backlog because there was
19 no incentive for distributors to place large backlog orders when the FIFO fulfillment order was no
20 longer honored. *See supra* Section IV.D.

21 456. Later in the Conference, the analyst asked Defendant Tate to “talk a little bit about
22 where the backlog was, what it did last quarter, why it did what it did last quarter and, to some extent,
23 the difference between the end customer demand and the disties that support the end customers, that
24 stock inventory?” Tate continued to make misleading statements about Extreme’s backlog, saying:

25 ***The backlog is – consists of both the end user demand, and so orders for specific***
26 ***deals, specific projects; stadiums, hospitals, schools, et cetera. And then we have***
27 ***orders that are from our distributors for get – having product on hand and on order***
28 ***to be able to deliver customers when the demand hits.***

1 *Now, we expect to see that continue over the next several quarters. We expect to see*
2 *both releasing product, being able to ship to customers, enjoying that product*
3 *revenue growth*, and we also expect to see the distributor orders adjusting as the lead
4 times come down. It may not be linear, we may not see the same level of reduction in
backlog in Q4 that we saw in Q3. We think it'll still be kind of gradual over the next
several quarters but – four to five quarters until we get to that normalized level, which
we said would be around \$75 million to \$100 million.

5 457. Defendant Tate's statement above was false or, at a minimum, misleading when made
6 and omitted material facts necessary to make the statements not misleading because Extreme's
7 backlog did not "*consist[] of . . . end user demand*," because: (i) the backlog did not reflect "firm"
8 customer commitments as it was well known internally that Extreme's customers were double or
9 triple booking orders from Extreme and then cancelling those orders; (ii) Extreme's backlog contracts
10 with its customers were contractually designed to be cancelled and were cancellable on a "quite
11 flexible" basis, as the clauses within the contracts for orders included provisions which provided for
12 and effectuated customers' double-ordering practice; (iii) Extreme internally had already expected
13 that Extreme's backlog would be cancelled by as much as 10% from Extreme's customers—and the
14 more appropriate number for the hedge according to FE-7 was as high as 66%; (iv) Extreme's backlog
15 did not reflect true end user commitment as proposed solutions such as the "B2B" clause were never
16 implemented during the Class Period; and (v) Extreme's channel stuffing scheme implemented at the
17 start of the Class Period jeopardized and weakened the backlog because there was no incentive for
18 distributors to place large backlog orders when the FIFO fulfillment order was no longer honored.
19 *See supra* Section IV.D.

20 458. Finally, an analyst pressed for more information about the Company's visibility into
21 backlog:

22 **Analyst Question:** So going back to the backlog issue, one of the questions we get
23 most frequently is how visible is the backlog or is it double ordering or triple ordering?
24 Can you address that issue...and maybe split between what you would see
at the distie level and what you would see at the customer level?

25 **Defendant Tate:** So *we have excellent visibility into our backlog*. If I think about the
26 question of *double ordering or triple ordering*, to me that means somebody needs
27 some access points for a school, let's call it, and they're going to order access points
from us and they're going to order access points from another vendor, or they may
28 order it twice from us just to get the product. *That is not happening, that's not a
phenomenon we see at all.*

1 Our customers have to go through a deal registration process, it goes through – *it's not*
2 *cancelable. These are real projects that we see. And so I would say the vast majority*
3 *of our backlog is related to this kind of end user demand project-based business and*
4 *we don't see double ordering.*

5 459. Defendant's Tate's statements above were false or, at a minimum, misleading when
6 made and omitted material facts necessary to make the statements not misleading because "double
7 ordering or triple ordering" was happening and Defendants did "see double ordering" because: (i) the
8 backlog did not reflect "firm" customer commitments as it was well known internally that Extreme's
9 customers were double or triple booking orders from Extreme and then cancelling those orders; (ii)
10 Extreme's backlog contracts with its customers were contractually designed to be cancelled and were
11 cancellable on a "quite flexible" basis, as the clauses within the contracts for orders included
12 provisions which provided for and effectuated customers' double-ordering practice; (iii) Extreme
13 internally had already expected that Extreme's backlog would be cancelled by as much as 10% from
14 Extreme's customers—and the more appropriate number for the hedge according to FE-7 was as high
15 as 66%; (iv) Extreme's backlog did not reflect true end user commitment as proposed solutions such
16 as the "B2B" clause were never implemented during the Class Period; and (v) Extreme's channel
17 stuffing scheme implemented at the start of the Class Period jeopardized and weakened the backlog
18 because there was no incentive for distributors to place large backlog orders when the FIFO
19 fulfillment order was no longer honored. *See supra* Section IV.D.

20 **R. 4Q2023 Earnings Press Release (August 2, 2023)**

21 460. On August 2, 2023, the Company issued a press release entitled "Extreme Networks
22 Reports Fourth Quarter and Fiscal Year 2023 Financial Results," which was subtitled "Marks Second
23 Consecutive Year of Double-Digit Revenue Growth; Expect Continued Strong Growth in FY 24."
24 The press release reported that Extreme's revenues for the fourth quarter were "**\$363.9 million, up**
25 **31% year-over-year, and up 9% quarter-over-quarter,**" and Extreme's revenues for the full year
26 2023 were "**\$1.3 billion, up 18% compared to \$1.1 billion in fiscal 2022.**" Extreme's product
27 revenues for the fourth quarter 2023 were **\$261.7 million**, and product revenues for the full year 2023
28 were **\$932.5 million**. These revenue figures were repeated in Extreme's FY2023 Form 10-K.

1 461. The statements touting these total and product revenue figures were false and
2 misleading when made because such revenues were only achieved through Defendants' channel
3 stuffing scheme. In reality, Extreme's reported revenues were only achieved through Defendants'
4 channel stuffing scheme and other manipulative sales tactics implemented at the start of 4Q2022 as
5 Defendants were "running out of tricks in our bag" and needed to "get into the company [the] # that
6 the street expects." *Supra*, Section IV.C This scheme included (i) forcing distributors to buy
7 unwanted and unneeded product in order to receive priority for inventory from Extreme's backlog;
8 (ii) improperly "pulling in" sales from future quarters into the present by shipping products to
9 Extreme's partners and resellers—even without a firm end customer purchase order to justify the
10 recognition of revenues; (iii) utilizing discounts, rebates, and other incentives with Extreme's
11 customers to cause such customers to purchase outdated and unwanted product in exchange for a
12 right to return such product in future quarters after revenues were reported for the present quarter;
13 and (iv) preventing customers from making contractual returns or stock rotations in order to inflate
14 revenues. *Id.*

15 462. This press release quoted Defendant Meyercord, who stated:

16 ***"Extreme delivered a year of exceptional performance, with revenue growth***
17 ***accelerating to 31% in the fourth quarter and 18% overall for the year,"*** said Ed
18 Meyercord, President and Chief Executive Officer. "This marks our second
19 consecutive year of double-digit growth. We're outgrowing our competitors, gaining
20 share, and winning new logos, which helped drive more than 30% growth in the value
of deals over \$1 million. . . . I remain confident in our growth prospects and am excited
about the new innovations and opportunities we have in store for FY24 and beyond,"
concluded Meyercord.

21 Kevin Rhodes, Executive Vice President and Chief Financial Officer stated, "the
22 strong topline growth we achieved in Q4 and FY23 resulted in significant operating
23 leverage that drove over 76% growth in GAAP EPS. We doubled our cash generation
24 to \$235 million in free cash flow this year, and even after repurchasing another \$100
million worth of shares, and paying down \$80 million in debt, we improved our year-
end balance sheet to achieve a net cash position. ***Extreme has never been in a more***
robust financial position, and I am encouraged about our future prospects."

25 463. These statements were false or, at a minimum, misleading when made and omitted
26 material facts necessary to make the statements not misleading because at the time of the statements,
27 Extreme's "revenue growth" was not based on Extreme having "never been in a more robust financial
28 position." In reality, Extreme's reported revenues were only achieved through Defendants' channel

1 stuffing scheme and other manipulative sales tactics implemented at the start of 4Q2022 as
2 Defendants were “running out of tricks in our bag” and needed to “get into the company [the] # that
3 the street expects.” *Supra*, Section IV.C This scheme included (i) forcing distributors to buy
4 unwanted and unneeded product in order to receive priority for inventory from Extreme’s backlog;
5 (ii) improperly “pulling in” sales from future quarters into the present by shipping products to
6 Extreme’s partners and resellers—even without a firm end customer purchase order to justify the
7 recognition of revenues; (iii) utilizing discounts, rebates, and other incentives with Extreme’s
8 customers to cause such customers to purchase outdated and unwanted product in exchange for a
9 right to return such product in future quarters after revenues were reported for the present quarter;
10 and (iv) preventing customers from making contractual returns or stock rotations in order to inflate
11 revenues. *Id.*

12 **S. 4Q2023 Earnings Conference Call (August 2, 2023)**

13 464. On August 2, 2023, Extreme held an Earnings Conference Call to discuss the
14 Company’s Fourth Quarter and Fiscal Year 2023 financial results. In Defendant Meyercord’s
15 prepared remarks, he indicated that “[e]nd customer orders remain firm” and that the normalization
16 of the Company’s backlog in 1Q25 remained on track, stating in relevant part:

17 This quarter, we were able to bring our product lead times down again as our supply
18 chain environment continues to improve. ***We have the benefit of a healthy backlog of***
19 ***customer orders with request dates that spread fairly evenly through the end of our***
fiscal year. End customer orders remain firm and distributor orders have
normalized, giving us confidence in our outlook for this fiscal year.

20 We continue to expect our backlog to settle in a range of \$75 million to \$100 million
21 in Q1 ’25.

22 465. Defendant Meyercord’s statements above were false or, at a minimum, misleading
23 when made and omitted material facts necessary to make the statements not misleading because: (i)
24 the backlog did not reflect “firm” customer commitments as it was well known internally that
25 Extreme’s customers were double or triple booking orders from Extreme and then cancelling those
26 orders; (ii) Extreme’s backlog contracts with its customers were contractually designed to be
27 cancelled and were cancellable on a “quite flexible” basis, as the clauses within the contracts for
28 orders included provisions which provided for and effectuated customers’ double-ordering practice;

1 (iii) Extreme internally had already expected that Extreme’s backlog would be cancelled by as much
2 as 10% from Extreme’s customers—and the more appropriate number for the hedge according to FE-
3 7 was as high as 66%; (iv) Extreme’s backlog did not reflect true end user commitment as proposed
4 solutions such as the “B2B” clause were never implemented during the Class Period; and (v)
5 Extreme’s channel stuffing scheme implemented at the start of the Class Period jeopardized and
6 weakened the backlog because there was no incentive for distributors to place large backlog orders
7 when the FIFO fulfillment order was no longer honored. *See supra* Section IV.D.

8 466. Defendant Meyercord later stated in the Earnings Call that: “*in EMEA and the rest of*
9 *the markets, they remain very strong, and the demand in the U.S. market remains very strong.*”

10 467. These statements in the prior paragraph were false or, at a minimum, misleading when
11 made and omitted material facts necessary to make the statements not misleading because at the time
12 of the statements, Extreme’s demand was not “strong.” In reality, Extreme’s reported revenues were
13 only achieved through Defendants’ channel stuffing scheme and other manipulative sales tactics
14 implemented at the start of 4Q2022 as Defendants were “running out of tricks in our bag” and needed
15 to “get into the company [the] # that the street expects.” *Supra*, Section IV.C This scheme included
16 (i) forcing distributors to buy unwanted and unneeded product in order to receive priority for
17 inventory from Extreme’s backlog; (ii) improperly “pulling in” sales from future quarters into the
18 present by shipping products to Extreme’s partners and resellers—even without a firm end customer
19 purchase order to justify the recognition of revenues; (iii) utilizing discounts, rebates, and other
20 incentives with Extreme’s customers to cause such customers to purchase outdated and unwanted
21 product in exchange for a right to return such product in future quarters after revenues were reported
22 for the present quarter; and (iv) preventing customers from making contractual returns or stock
23 rotations in order to inflate revenues. *Id.*

24 468. On that same conference call, Defendant Rhodes delivered prepared remarks in which
25 he highlighted Extreme’s revenue outlook for fiscal year 2024 (“FY24”), saying:

26 “[F]ourth quarter earnings per share were \$0.33 at the high end of our guidance
27 entering the quarter. For the full year, fiscal ’23, revenue of \$1.3 billion grew 18%
28 from the prior year on product revenue growth of 22%. *During fiscal year ’24, we
expect continued strong product revenue growth, given the growing interest in our
solution by customers and the ongoing normalization of our backlog.*”

1 469. Defendant Rhodes' statements above were false or, at a minimum, misleading when
2 made and omitted material facts necessary to make the statements not misleading because the backlog
3 was not poised to generate "continued strong product revenue growth." In reality, Extreme's reported
4 revenues were only achieved through Defendants' channel stuffing scheme and other manipulative
5 sales tactics implemented at the start of 4Q2022 as Defendants were "running out of tricks in our
6 bag" and needed to "get into the company [the] # that the street expects." *Supra*, Section IV.C This
7 scheme included (i) forcing distributors to buy unwanted and unneeded product in order to receive
8 priority for inventory from Extreme's backlog; (ii) improperly "pulling in" sales from future quarters
9 into the present by shipping products to Extreme's partners and resellers—even without a firm end
10 customer purchase order to justify the recognition of revenues; (iii) utilizing discounts, rebates, and
11 other incentives with Extreme's customers to cause such customers to purchase outdated and
12 unwanted product in exchange for a right to return such product in future quarters after revenues were
13 reported for the present quarter; and (iv) preventing customers from making contractual returns or
14 stock rotations in order to inflate revenues. *Id.*

15 470. Later, when pressed by an analyst for an update on Extreme's backlog, Defendant
16 Meyercord refused to quantify the amount of backlog and stated that the Company's backlog would
17 start to normalize throughout FY24 and into 1Q25, stating in relevant part:

18 **Analyst Question:** Can we get just an update on the backlog. Last quarter, you said
19 5x normal. Do we have a metric for this quarter?

20 Meyercord: *So Mike, we said last quarter that we were not going to give – we were*
21 *going to move away from giving a specific backlog number each and every quarter.*
22 *I think what Ed said in his prepared remarks is that our backlog is now – we feel*
23 *like it will start to normalize throughout 2024 and into Q1 of 2025. We feel good*
24 *about the level of backlog we have. For instance, it's primarily, I'd say, 90-plus*
25 *percent is all end customer orders at this point. And so the distribution orders that*
26 *we had in the past have basically worked themselves through the system, especially*
27 *with supply chain getting better. And so we feel good about those end customer orders*
28 *and the timing of when those orders need to be shipped to those customers based on*
their own, I'll call it, like upgrade cycle and whatnot, we feel like it will come down
fairly evenly throughout the year and into Q1 of '25. So feeling good about the level
of backlog that we have and the timing of that coming out.

26 471. Defendant Meyercord's statements above were false or, at a minimum, misleading
27 when made and omitted material facts necessary to make the statements not misleading because: (i)
28 the backlog did not reflect "firm" customer commitments as it was well known internally that

1 Extreme's customers were double or triple booking orders from Extreme and then cancelling those
2 orders; (ii) Extreme's backlog contracts with its customers were contractually designed to be
3 cancelled and were cancellable on a "quite flexible" basis, as the clauses within the contracts for
4 orders included provisions which provided for and effectuated customers' double-ordering practice;
5 (iii) Extreme internally had already expected that Extreme's backlog would be cancelled by as much
6 as 10% from Extreme's customers—and the more appropriate number for the hedge according to FE-
7 7 was as high as 66%; (iv) Extreme's backlog did not reflect true end user commitment as proposed
8 solutions such as the "B2B" clause were never implemented during the Class Period; and (v)
9 Extreme's channel stuffing scheme implemented at the start of the Class Period jeopardized and
10 weakened the backlog because there was no incentive for distributors to place large backlog orders
11 when the FIFO fulfillment order was no longer honored. *See supra* Section IV.D.

12 **T. Rosenblatt Securities Technology Summit (August 22, 2023)**

13 472. On August 22, 2023, Defendants participated in the Rosenblatt Securities Technology
14 Summit. During the Question-and-Answer portion of the Summit, Defendant Rhodes indicated that
15 Defendants were very confident in the mid-teens revenue growth guidance that was given:

16 Analyst: The company gave guidance and not timid guidance, which is mid- to high-
17 teens revenue growth guidance with margin improvement every year, I think, and
18 pretty aggressively right now. So, you came in basically a year into that where you did
19 nothing, but exceed it, or three quarters of a year into that... [] this fiscal year, we saw
some order weakness year-over-year in the beginning of the year. I think it started to
come back. But, are you nervous about having not just 2024, but 2025 guidance out
there?...how are you feeling about the guide?

20 Rhodes: *So, this year, we've got strong visibility into 2024, in particular Q1 and*
21 *beyond Q2 and et cetera. And I can see it in the pipeline. I can see in our win rates,*
22 *et cetera. And that gives me confidence in our ability to kind of say what we think is*
23 *going to happen in 2024.* In 2025, I'm not changing yet the long-term guidance that
24 the company had. I have no reason to. The reality is I went and looked at what we had
25 as inherent assumptions within that model. We're already hitting some of those
26 numbers that we have in long-term model from a – hey, we think that operating income
27 is going to be closer to the 20% range. Well, geez, we just landed in Q4 at 17%. And
28 then, OpEx, we're going to be in the 43% range. We're hitting that as well. And so,
there's a number of different areas within the long-term model, growth rates, et cetera,
as well in the 13% to 17% range. *We're already calling mid-teens growth this year*
and think in 2025 with the momentum we are building today, we don't see a lot of
change for that at this moment. We will update it again in November at our Analyst
Day, and we're excited for that.

1 473. Defendant Rhodes’ statements above were false or, at a minimum, misleading when
2 made and omitted material facts necessary to make the statements not misleading because In reality,
3 Extreme’s reported revenues were only achieved through Defendants’ channel stuffing scheme and
4 other manipulative sales tactics implemented at the start of 4Q2022 as Defendants were “running out
5 of tricks in our bag” and needed to “get into the company [the] # that the street expects.” *Supra*,
6 Section IV.C This scheme included (i) forcing distributors to buy unwanted and unneeded product in
7 order to receive priority for inventory from Extreme’s backlog; (ii) improperly “pulling in” sales from
8 future quarters into the present by shipping products to Extreme’s partners and resellers—even
9 without a firm end customer purchase order to justify the recognition of revenues; (iii) utilizing
10 discounts, rebates, and other incentives with Extreme’s customers to cause such customers to
11 purchase outdated and unwanted product in exchange for a right to return such product in future
12 quarters after revenues were reported for the present quarter; and (iv) preventing customers from
13 making contractual returns or stock rotations in order to inflate revenues. *Id.*

14 474. The statements were also false or, at a minimum, misleading when made and omitted
15 material facts necessary to make the statements not misleading because: (i) the backlog did not reflect
16 “firm” customer commitments as it was well known internally that Extreme’s customers were double
17 or triple booking orders from Extreme and then cancelling those orders; (ii) Extreme’s backlog
18 contracts with its customers were contractually designed to be cancelled and were cancellable on a
19 “quite flexible” basis, as the clauses within the contracts for orders included provisions which
20 provided for and effectuated customers’ double-ordering practice; (iii) Extreme internally had already
21 expected that Extreme’s backlog would be cancelled by as much as 10% from Extreme’s customers—
22 and the more appropriate number for the hedge according to FE-7 was as high as 66%; (iv) Extreme’s
23 backlog did not reflect true end user commitment as proposed solutions such as the “B2B” clause
24 were never implemented during the Class Period; and (v) Extreme’s channel stuffing scheme
25 implemented at the start of the Class Period jeopardized and weakened the backlog because there was
26 no incentive for distributors to place large backlog orders when the FIFO fulfillment order was no
27 longer honored. *See supra* Section IV.D.

1 **U. FY2023 Form 10-K (August 24, 2023)**

2 475. On August 24, 2023, Extreme filed with the SEC its Form 10-K for FY2023 (fiscal
3 year ended June 30, 2022), which was signed by Defendants Meyercord and Rhodes.

4 476. The 2023 Form 10-K stated that total revenues for the year were *\$1.3 billion* and
5 product revenues for the year were *\$932.5 million*. The Form 10-K also contained signed
6 certifications by Defendants Meyercord and Rhodes pursuant to Section 302 of SOX. These SOX
7 certifications attested to the accuracy of the Company’s financial reporting, the disclosure of any
8 material changes to the Company’s internal control over financial reporting, and the disclosure of all
9 fraud.

10 477. These statements of \$1.3 billion of total revenue and \$932.5 million of product revenue
11 achieved during fiscal year 2023, as well as the SOX certifications, were false and misleading when
12 made. In reality, Extreme’s reported revenues were only achieved through Defendants’ channel
13 stuffing scheme and other manipulative sales tactics implemented at the start of 4Q2022 as
14 Defendants were “running out of tricks in our bag” and needed to “get into the company [the] # that
15 the street expects.” *Supra*, Section IV.C This scheme included (i) forcing distributors to buy
16 unwanted and unneeded product in order to receive priority for inventory from Extreme’s backlog;
17 (ii) improperly “pulling in” sales from future quarters into the present by shipping products to
18 Extreme’s partners and resellers—even without a firm end customer purchase order to justify the
19 recognition of revenues; (iii) utilizing discounts, rebates, and other incentives with Extreme’s
20 customers to cause such customers to purchase outdated and unwanted product in exchange for a
21 right to return such product in future quarters after revenues were reported for the present quarter;
22 and (iv) preventing customers from making contractual returns or stock rotations in order to inflate
23 revenues. *Id.*.

24 **V. 1Q2024 Earnings Conference Call (November 1, 2023)**

25 478. On November 1, 2023, Defendants participated in an Earnings Conference Call to
26 discuss the Company’s 1Q2024 financial results. In his prepared remarks on the 1Q24 call, Defendant
27 Meyercord stated:

1 Our increasing pool of large, high-profile customers and our technology differentiation
2 is why we continue to see the value of deals over \$1 million grow each quarter. In Q1,
3 we have more than 30 deals over \$1 million. ***We continue to have a healthy customer
order backlog with clear visibility to order with specific customer request dates
through the balance of our fiscal year.***

4 This quarter, our product lead times normalize, allowing us to continue working down
5 backlog from product and strengths. We continue to expect our backlog to [settle] in
6 a range of \$75 million to \$100 million by the end of Q4 fiscal '24.

7 479. The statements above were false and misleading because Extreme did not have a
8 “healthy customer order backlog” because: (i) the backlog did not reflect “firm” customer
9 commitments as it was well known internally that Extreme’s customers were double or triple booking
10 orders from Extreme and then cancelling those orders; (ii) Extreme’s backlog contracts with its
11 customers were contractually designed to be cancelled and were cancellable on a “quite flexible”
12 basis, as the clauses within the contracts for orders included provisions which provided for and
13 effectuated customers’ double-ordering practice; (iii) Extreme internally had already expected that
14 Extreme’s backlog would be cancelled by as much as 10% from Extreme’s customers—and the more
15 appropriate number for the hedge according to FE-7 was as high as 66%; (iv) Extreme’s backlog did
16 not reflect true end user commitment as proposed solutions such as the “B2B” clause were never
17 implemented during the Class Period; and (v) Extreme’s channel stuffing scheme implemented at the
18 start of the Class Period jeopardized and weakened the backlog because there was no incentive for
19 distributors to place large backlog orders when the FIFO fulfillment order was no longer honored.
20 *See supra* Section IV.D.

21 480. Defendant Rhodes in the Earnings Call also stated:

22 ***In the first quarter, we again demonstrated strong financial and operational
23 performance. . . First quarter revenue of \$353.1 million grew 19% year-over-year,
24 exceeding the high end of our expectations entering the quarter. . . Product revenue
25 of \$253.5 million grew 23% year-over-year, reflecting continued improvement in
26 our supply chain environment.***

27 481. These statements were false or, at a minimum, misleading when made and omitted
28 material facts necessary to make the statements not misleading because at the time of the statements,
29 Extreme’s product revenue growth was not reflective of “continued improvement in [Extreme’s]
30 supply chain environment.” In reality, Extreme’s reported revenues were only achieved through
31 Defendants’ channel stuffing scheme and other manipulative sales tactics implemented at the start of

1 4Q2022 as Defendants were “running out of tricks in our bag” and needed to “get into the company
2 [the] # that the street expects.” *Supra*, Section IV.C This scheme included (i) forcing distributors to
3 buy unwanted and unneeded product in order to receive priority for inventory from Extreme’s
4 backlog; (ii) improperly “pulling in” sales from future quarters into the present by shipping products
5 to Extreme’s partners and resellers—even without a firm end customer purchase order to justify the
6 recognition of revenues; (iii) utilizing discounts, rebates, and other incentives with Extreme’s
7 customers to cause such customers to purchase outdated and unwanted product in exchange for a
8 right to return such product in future quarters after revenues were reported for the present quarter;
9 and (iv) preventing customers from making contractual returns or stock rotations in order to inflate
10 revenues. *Id.*

11 482. Finally, Defendant Meyercord also sought to quell market concerns about the backlog,
12 indicating that the backlog was still healthy and would lead to revenue generation:

13 Analyst: So is it safe to assume that backlog is probably almost back to a somewhat
14 normalized level...

15 Meyercord: *I think it’s fair to say that the – our backlog as it relates to distribution*
16 *has normalized, but we still have a fair amount of customer backlog that’s out there*
17 *– and I can give an example of like Kroger. We had a very large win with Kroger.*
18 *They’re deploying all their stores. They don’t necessarily want all the equipment*
19 *upfront at once. They want to time that with their deployment.*

20 483. Defendant Meyercord’s statements above were false or, at a minimum, misleading
21 when made and omitted material facts necessary to make the statements not misleading because: (i)
22 the backlog did not reflect “firm” customer commitments as it was well known internally that
23 Extreme’s customers were double or triple booking orders from Extreme and then cancelling those
24 orders; (ii) Extreme’s backlog contracts with its customers were contractually designed to be
25 cancelled and were cancellable on a “quite flexible” basis, as the clauses within the contracts for
26 orders included provisions which provided for and effectuated customers’ double-ordering practice;
27 (iii) Extreme internally had already expected that Extreme’s backlog would be cancelled by as much
28 as 10% from Extreme’s customers—and the more appropriate number for the hedge according to FE-
7 was as high as 66%; (iv) Extreme’s backlog did not reflect true end user commitment as proposed
solutions such as the “B2B” clause were never implemented during the Class Period; and (v)

1 Extreme's channel stuffing scheme implemented at the start of the Class Period jeopardized and
2 weakened the backlog because there was no incentive for distributors to place large backlog orders
3 when the FIFO fulfillment order was no longer honored. *See supra* Section IV.D.

4 **W. 1Q2024 Form 10-Q (November 2, 2023)**

5 484. On November 2, 2023, Extreme filed with the SEC its 2024 First Quarter Form 10-Q
6 for the quarterly period ended September 30, 2023 ("1Q2024"), which contained signed certifications
7 by Defendants Meyercord and Rhodes pursuant to Section 302 of SOX. These SOX certifications
8 again attested to the accuracy of the Company's financial reporting, the disclosure of any material
9 changes to the Company's internal control over financial reporting, and the disclosure of all fraud.
10 The 1Q2024 Form 10-Q stated total revenues of **\$353.1 million** and product revenues of **\$235.5**
11 **million** for the quarter.

12 485. These sections of the 1Q2024 Form 10-Q were materially false and misleading and
13 omitted material facts, as Extreme did not disclose that it was engaging in channel stuffing and
14 manipulative sales and inventory tactics which masked the level of organic demand and artificially
15 inflated the Company's revenue listed therein (**\$353.1 million** of total revenues and **\$253.5 million**
16 of product revenues). Indeed, the statements touting these total and product revenue figures were
17 false and misleading when made because in reality, Extreme's reported revenues were only achieved
18 through Defendants' channel stuffing scheme and other manipulative sales tactics implemented at the
19 start of 4Q2022 as Defendants were "running out of tricks in our bag" and needed to "get into the
20 company [the] # that the street expects." *Supra*, Section IV.C This scheme included (i) forcing
21 distributors to buy unwanted and unneeded product in order to receive priority for inventory from
22 Extreme's backlog; (ii) improperly "pulling in" sales from future quarters into the present by shipping
23 products to Extreme's partners and resellers—even without a firm end customer purchase order to
24 justify the recognition of revenues; (iii) utilizing discounts, rebates, and other incentives with
25 Extreme's customers to cause such customers to purchase outdated and unwanted product in
26 exchange for a right to return such product in future quarters after revenues were reported for the
27 present quarter; and (iv) preventing customers from making contractual returns or stock rotations in
28 order to inflate revenues. *Id.*

1 **X. Interview with CRN Magazine (November 22, 2023)**

2 486. On November 22, 2023, Defendant Meyercord had an interview with *CRN Magazine*,
3 a computer publication trade newspaper targeted at the industry. The publication was titled “Extreme
4 Networks CEO: ‘These are Boon Times for Our Channel Partners.’” In this interview, Meyercord
5 stated:

6 *As you know, we put up 19 percent growth [in 1Q2024]. And I think the channel is*
7 *very healthy because the channel is digesting all this backlog that is being released.*
8 From a project perspective, our channel partners are busy at work implementing our
9 technology and networking solutions. So from that standpoint, these are boon times
10 for our channel partners.

11 487. Defendant Meyercord’s statements above were false or, at a minimum, misleading
12 when made and omitted material facts necessary to make the statements not misleading because at
13 the time of the statements, Extreme’s channel was not “very healthy,” and the channel was not
14 “digesting all this backlog that is being released.” In reality, Extreme’s reported revenues were only
15 achieved through Defendants’ channel stuffing scheme and other manipulative sales tactics
16 implemented at the start of 4Q2022 as Defendants were “running out of tricks in our bag” and needed
17 to “get into the company [the] # that the street expects.” *Supra*, Section IV.C This scheme included
18 (i) forcing distributors to buy unwanted and unneeded product in order to receive priority for
19 inventory from Extreme’s backlog; (ii) improperly “pulling in” sales from future quarters into the
20 present by shipping products to Extreme’s partners and resellers—even without a firm end customer
21 purchase order to justify the recognition of revenues; (iii) utilizing discounts, rebates, and other
22 incentives with Extreme’s customers to cause such customers to purchase outdated and unwanted
23 product in exchange for a right to return such product in future quarters after revenues were reported
24 for the present quarter; and (iv) preventing customers from making contractual returns or stock
25 rotations in order to inflate revenues. *Id.* Additionally, these statements were false and misleading
26 with respect to the digestion of the backlog, because: (i) the backlog did not reflect “firm” customer
27 commitments as it was well known internally that Extreme’s customers were double or triple booking
28 orders from Extreme and then cancelling those orders; (ii) Extreme’s backlog contracts with its
customers were contractually designed to be cancelled and were cancellable on a “quite flexible”
basis, as the clauses within the contracts for orders included provisions which provided for and

1 effectuated customers’ double-ordering practice; (iii) Extreme internally had already expected that
2 Extreme’s backlog would be cancelled by as much as 10% from Extreme’s customers—and the more
3 appropriate number for the hedge according to FE-7 was as high as 66%; (iv) Extreme’s backlog did
4 not reflect true end user commitment as proposed solutions such as the “B2B” clause were never
5 implemented during the Class Period; and (v) Extreme’s channel stuffing scheme implemented at the
6 start of the Class Period jeopardized and weakened the backlog because there was no incentive for
7 distributors to place large backlog orders when the FIFO fulfillment order was no longer honored.

8 *See supra* Section IV.D.

9 **VIII. ADDITIONAL ALLEGATIONS OF DEFENDANTS’ SCIENTER**

10 488. Numerous facts including those detailed above and summarized below collectively
11 support a strong inference that the Defendants knew, or at a minimum, were deliberately reckless in
12 not knowing, the true and omitted facts. When viewed holistically, these allegations establish a strong
13 inference that each of the Defendants knew, or were severely reckless in not knowing, that each of
14 the misrepresentations and omissions alleged herein would be, and were, false and misleading to
15 investors at the time they were made. Also as alleged herein, the Defendants had scienter over their
16 undisclosed and fraudulent scheme.

17 **A. Defendants Orchestrated The Illicit Channel Stuffing Scheme To “Get Into The 18 Company [The] # The Street Expects”**

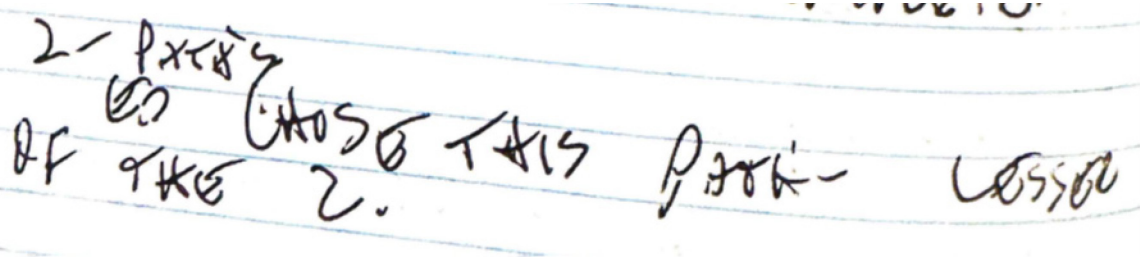
19 489. Defendants’ scienter rests squarely on the fact that Defendants orchestrated an illicit
20 channel stuffing scheme for the express purpose of getting “*into the company [the] # the street*
21 *expects.*” Indeed, as the close of 3Q2022 approached, instead of revealing to investors the Company’s
22 declining demand, Extreme’s ELT chose the “path” of deception.

23 490. Specifically, *Defendant Meyercord and the other ELT members including*
24 *Defendants Thomas and Rice* engineered the March 2022 scheme to “decommit all” distributors and
25 leverage the need for Extreme’s in-demand products to force distributors to buy undesirable products
26 in exchange for a favorable position on the backlog. *Supra* IV.C.1-3.

27 491. Evidencing the fact that the March 2022 scheme came from the top, FE-1’s notes from
28 a March 16, 2022 meeting reflect that this plan was the “*lesser of many evils for ELT*” required to

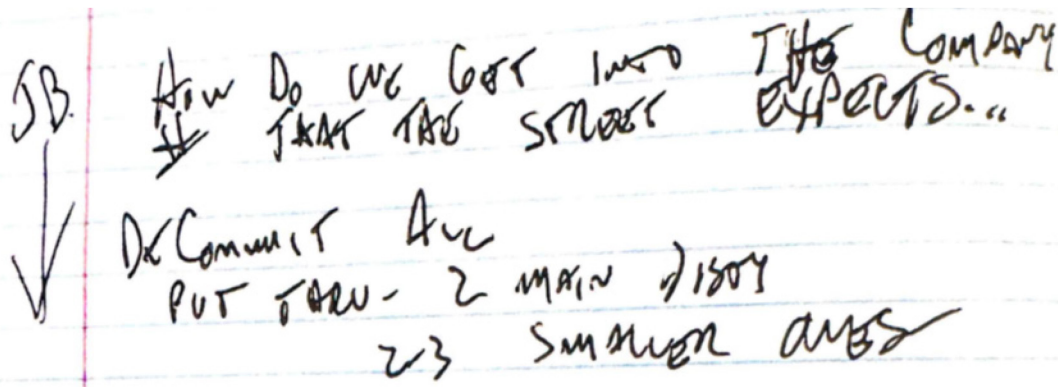
1 meet the quarterly numbers and that “*Ed chose this path – lesser of the 2 [evils].*” FE-1 recalled
2 Defendant Brown stating during this meeting that Meyercord “*chooses blowing up FIFO.*”

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ED CHOSE THIS PATH - LESSOR
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492. FE-1’s notes from the March 16, 2022 meeting also demonstrate that Defendant Rice and Defendant Brown were adamant about the need to meet the numbers that investors were expecting. Indeed, prior to the March 16, 2022 meeting, Defendant Rice emailed Defendant Brown demanding that Extreme meet the quarter’s numbers that were expected by the street, and during the March 16, 2022 meeting, Defendant Brown asked “*how do we get into the company # that the street expects...*” The answer to Defendants Brown’s question was that Extreme “decommit all” and reach the numbers investors expected by forcing Extreme’s distributors to purchase inventory from Extreme they did not need.



JB. How do we get into the company that the street expects...
DeCommit All
PUT FORW - 2 main distri
23 summer ans

493. Before the March 16, 2022 meeting, Extreme’s supply chain system was automated so that those who executed their purchased orders first would have priority in getting shipments off the backlog. However, in order to accommodate the March 2022 scheme, Extreme had to take the affirmative step to go in and “manipulate the system” to decommit distributors. *Supra* Section IV.C.1-3. Extreme’s deliberate overriding of its supply chain system to accommodate the March 2022 scheme demonstrates a conscious and intentional effort to further the scheme. FE-1’s notes describe

1 an April 7, 2022 email exchange in which Extreme’s Director of Purchasing, Fiona Nolan—who was
2 responsible for allocating shipments to distributors—agreed with Defendant Brown on getting rid of
3 FIFO with respect to the allocation of shipments to distributors and changing the system to account
4 for the new practice of manually picking “winners and losers.”

5 494. Defendant Thomas also played a direct role in the implementation of the March 2022
6 scheme. According to FE-4, during a dinner that occurred in March or April 2022, Westcon senior
7 management and Extreme senior management, including *Extreme’s CFO, Defendant Thomas*,
8 discussed the scheme to prioritize Westcon’s backlog orders in exchange for the purchase of
9 unwanted or unneeded inventory. FE-4 further explained that Extreme was relying on Westcon to
10 clear out Extreme’s obsolete and/or end of life products in exchange for receiving orders off the
11 backlog before other customers who had priority on the backlog list.

12 495. Moreover, according to FE-4, during the same week as the dinner with Westcon,
13 Extreme’s management had dinners with the management of Jenne and ScanSource. As such, without
14 wasting any time, Defendants set the scheme into motion, forcing distributors into compliance.

15 496. Defendants orchestrated and implemented a scheme that rewarded distributors for
16 enabling Extreme’s channel stuffing practices and penalized those who refused. Crucially,
17 Defendants enacted this scheme for the express purpose of artificially inflating Extreme’s revenue
18 numbers to mislead investors. Defendants’ calculated scheme and active manipulation of Extreme’s
19 revenues designed to mislead investors is nothing short of smoking-gun evidence of scienter.

20 **B. Internal Documents Are Evidentiary Proof That Defendants Knew Of The**
21 **Undisclosed Channel Stuffing And Manipulative Sales And Inventory Conduct**
22 **And The True Nature Of The Backlog**

23 497. As revealed above throughout *supra* Section IV, numerous documents provided by
24 former Extreme employees to Lead Counsel make it abundantly clear that Defendants were made
25 aware of (1) the undisclosed channel stuffing and manipulative sales and inventory conduct and (2)
26 the backlog process—thus strongly evidencing Defendants’ scienter. In addition to the documentary
27 evidence and notes provided in the previous section, former employees provided additional
28 documents revealing Defendants’ knowledge and scienter.

1 498. For example, Defendant Thomas was forwarded numerous emails from FE-1, on July
2 20, 2022—just days before the start of the Class Period.

3 499. In these emails to Defendant Thomas, FE-1 states that Defendant Brown “*works with*
4 *the distributors to buy bad product that is not sellable to make the corporate number.*” Indeed, this
5 document is evidentiary proof that the ELT at Extreme was made aware of the channel stuffing
6 conduct alleged herein, just days prior to the start of the Class Period (July 27, 2022).

7 500. Furthermore, other documents produced by FE-1 indicated other contemporaneous
8 examples of Defendants seeking to cancel the stock inventory rotation clause that Extreme had with
9 its distributors in order to force the distributors to keep and hold the inventory and—according to
10 Defendant Brown’s own words—“*drive the behavior we want.*”

11 501. These documents included emails and IM messages in which Defendant Brown stated,
12 for example, that Extreme “forecasted \$3M for TD [Synnex] to rotate – they submitted \$6.8M. That
13 is a HUGE problem for all of us. Josh may have tanked our quarter. I need a plan on how we reverse
14 this . . . if not, our conversion rate will spike, *and our auditors will be all over us.*”

15 502. Other documents provided included FE-1 indicating in his notebook that Defendant
16 Brown wanted to “punish” TD Synnex for submitting a stock rotation in 2Q2022, and specifically,
17 give them a “*bloody nose.*”

18 503. Importantly, these documents were provided to the ELT through Defendant Thomas,
19 on July 20, 2022.

20 504. Notably, these emails and IM messages also demonstrate that the backlog discussions
21 were “*updated all the way to Ed [Meyercord].*” Specifically, an email provided by FE-1 contains an
22 IM conversation dated May 27, 2022, in which Defendant Brown told FE-1, “why didn’t we have
23 [the TD call] scheduled for yesterday? . . . *Lots of eyes on this backlog process – it’s updated all the*
24 *way up to Ed [Meyercord].*”

25 505. Accordingly, these documents provided to Lead Counsel are extraordinarily strong
26 proof of scienter, and are documentary evidence that the (1) channel stuffing and manipulative sales
27 conduct and (2) the discussions concerning the “backlog process,” were known by and discussed
28 internally at the ELT level – just days before the beginning of the Class Period (*i.e.*, July 27, 2022).

1 **C. Defendants' Own Statements and Admissions Are Strong Evidence of Scienter**

2 506. Throughout the Class Period, Defendant—including each of the Individual
3 Defendants—strongly asserted that they had “complete visibility” into the operations of their
4 business, including the Company’s sales pipeline, their backlog, and other metrics tracking Extreme’s
5 customer’s purchase orders, which Defendants claimed to have personally reviewed.

6 507. For example, on July 27, 2022, Defendant Meyercord stated in the Company’s 4Q2022
7 Earnings Call that: “[w]e have complete visibility into our product backlog and have received
8 negligible cancellations to date of less than 1% of bookings. Our backlog primarily consists of our
9 latest-generation universal products.”

10 508. Similarly, in response to analyst questions about backlog normalization, Defendant
11 Thomas also personally assured in the 1Q2023 Earnings Call (October 27, 2022) that: “I’ll *let Ed*
12 *[Meyercord] chime in as well because we’re both very close to the topic*, but we believe it’s going
13 to be fiscal ’26 when [the backlog] really goes back to normal.”

14 509. Defendant Thomas similarly highlighted in the 1Q2023 Earnings Call that
15 “decommits” (*i.e.*, cancellations of purchase orders) were just a “one-off” and that they get a “lot of
16 scrutiny from” Defendants. Specifically, Thomas stated: “Alex, decommits are just -- it would be a
17 normal part of the business. These are one-offs. *And I can tell you right now because of our scrutiny*
18 *around this, each and every decommit, to the extent there is one, gets a lot of scrutiny from us.* And
19 there’s no consistency around it. So the example I might give would be a government agency that has
20 budget. They can’t get supply by the end of the year, it’s use it or lose it. So they want to reprioritize
21 another spend. So they might cancel an order or and maybe that comes into the budget for the
22 following year based on that dynamic. But these are things that are not really supply chain. I guess
23 you could say that supply chain related, but these are more one-offs. And so we’re not really seeing
24 a change in the one-offs, and they remain at a fraction of 1%.”

25 510. On May 17, 2023, Defendant Tate also personally assured the market in the Needham
26 Technology & Media Conference that the Defendants had reviewed the firmness of Extreme’s
27 backlog—asserting that: “*we have excellent visibility into our backlog. If I think about the question*
28 *of double ordering or triple ordering*, to me it means somebody needs some access points for a

1 school, let's call it, and they're going to order access points from us and they're going to order access
2 points from another vendor, or they may order it twice from us just to get the product. ***That is not***
3 ***happening, that's not a phenomenon we see at all.*** . . . the vast majority of our backlog is related to
4 this kind of end user demand project-based business and ***we don't see double ordering.***"

5 511. Defendants also asserted that they personally reviewed the sales pipeline and sales
6 metrics, including for demand. Indeed, Defendant Tate stated in the May 17, 2023 Needham
7 Technology & Media Conference that: "obviously, ***we're very keen on demand and where demand***
8 ***is going. And so, we do a lot of analytics around that.*** We have our pipeline and what we call our
9 funnel. We look at the total funnel of opportunities that are coming down the pike. . . So between the
10 backlog and the deferred revenue that we will recognize over time, we have really good, probably
11 better than ever visibility into what we're going to achieve through the next fiscal year."

12 512. And similarly, on November 14, 2023, during the Needham & Company Virtual Tech
13 Week Conference, analysts asked Extreme about "where [Extreme is] relative to the backlog
14 issue/boom bust of supply chain. And then, last piece of that is, can you talk about your pipeline?"
15 Defendant Rhodes responded that: "I'm responsible for making sure that we take friction out of the
16 sales process . . . ***So I'm actually pretty close to looking at our sales pipeline, sales pipeline metrics.***"

17 513. Moreover, Defendant Meyercord asserted on January 25, 2023 that this visibility into
18 the operations of the Company was based on ability to run analytics and use artificial intelligence—
19 claiming that: "[i]n terms of the pipeline and our funnel analytics, we've got very good visibility and
20 we're getting much better at calling numbers and we have this AI [Artificial Intelligence] tool that
21 we use that helps us call it [referring to the health of the pipeline]. ***So I'm going to call it across the***
22 ***board.***"

23 514. Indeed, Defendant Meyercord also made similar assertions regarding analytics and
24 artificial intelligence to the market in the 1Q2023 Earnings Call, stating that with respect to
25 "cancellations" or "delays" on customer orders and the effects on the Company's outlook, that:
26 "obviously, is something ***we keep a very close eye on. And we're not seeing it.*** We have a lot of
27 different variables that we look at, specifically as we look forward, we look at opportunities that we
28 have in the funnel that are -- ***and we're scrubbing those regularly. We have feedback from our direct***

1 *sellers in field and what they're rolling up and calling. And as you're aware, we have an AI tool*
2 *that sits on top of Salesforce that comes up with a call.* So we kind of have kind of 3 legs to our
3 outlook, and we're just not seeing it.”

4 515. These statements all demonstrate that Defendants were personally “*close to the topic*”
5 regarding the Company’s sales pipeline, the backlog, and the status of the Company’s purchase
6 orders—and are accordingly highly indicative of Defendants’ scienter.

7 **D. Defendants’ Internal Reporting Is Strongly Supportive of Scienter**

8 516. Multiple former employees make clear that the status of Extreme’s purchase orders,
9 the amount of inventory at Extreme, Extreme’s backlog orders, and other related metrics were
10 accessible and made available to Defendants in the form of (1) “pull-in” lists, (2) weekly inventory
11 demand reports, (3) distribution listservs, (4) spreadsheets, and (5) the Clari and Salesforce databases,
12 which had the capability of generating and pulling reports on the Company’s sales and revenues
13 operations.

14 517. As discussed above *supra* Section IV.C.7, Extreme monitored the likelihood that the
15 accounts with its partners would end up with a secured purchase order by the end user. And critically,
16 Extreme willingly shipped and stuffed product and inventory to its partners while having access to
17 reports, information, and databases that demonstrate that those end users had *not* placed a confirmed
18 purchase order.

19 518. “**Pull-In Lists.**” Former employees, specifically FE-2, explained of the existence of a
20 “pull-in list” of partners to target that could potentially pull-in orders. FE-2 explained that this “pull-
21 in list” would indicate and monitor what deals each partner had with the end customer and the organic
22 timeline for the deal, such that if a deal was to close and the end customer would place the purchase
23 order, in May, for example (which was in 4Q), then Extreme could target that potential partner to
24 seek to “pull-in” the sale into the present, *e.g.*, in March (which had the effect of pulling in the sale
25 for 3Q). FE-2 explained the “pull-in list” was in the form of a spreadsheet that was “sent up the chain
26 of command.”

27 519. **Weekly Inventory Demand Reports.** Similarly, FE-1 explained that every week the
28 distributors were given inventory lists by Extreme. FE-1 also explained that Extreme *receives* weekly

1 inventory demand reports from its distributors and also a pipeline report which shows what is
2 forecasted, and that these reports had visibility into the end user and reseller demand. According to
3 FE-1, from these reports, Extreme could see what the “true real demand” was from the reseller/end
4 user to the distributor. FE-1 explained that nonetheless, Extreme pushed its distributors to buy
5 additional inventory regardless, even when there was no demand downstream. He added that Extreme
6 ignored their distributors actual demand from their own resellers and end users, and what was on
7 order. Extreme continued to push inventory to the distributors that they did not need and did not allow
8 them to cancel or return the inventory. FE-1 described these practices as “allowing Extreme to own
9 the distributors’ business.”

10 520. Other former employees speak of other similar spreadsheets and reports which tracked
11 the Company’s product inventory, backlog, and revenues—and which were circulated up to the
12 highest levels of executive management, including the Individual Defendants.

13 521. **Distribution-Listservs and Spreadsheets.** Specifically, FE-5 explained that Extreme
14 maintained an “Inventory List” group listserv, which detailed how much product Extreme had on-
15 hand at any given moment. According to FE-5, the Inventory List listserv was a regular group-wide
16 email that attached an Excel spreadsheet. In the Excel spreadsheet, the device, type of device, serial
17 number, model numbers, current demand, availability, and allocation of Extreme’s products was
18 shown. FE-5 indicated that the Inventory List spreadsheet would show, *e.g.*, that “1000 items were
19 committed to this deal” with a particular customer, etc. According to FE-5, “every item, we would
20 have an inventory count on it.”

21 522. FE-5 explained that the Inventory List spreadsheet indicated what Extreme actually
22 had on hand, what it had on order, and what it had on backlog, at any given moment.

23 523. According to FE-5, each distributor had their own Distribution Inventory Excel
24 spreadsheet as well. Accordingly, FE-5 explained that Extreme “would always know what TD
25 Synnex had, what Jenne had, etc.”

26 524. Importantly, FE-5, explained that the CEO (Defendant Meyercord), the CFO
27 (Defendants Thomas/Tate/Rhodes), and “all executive leaders” were “*always*” email recipients on
28 the listservs and would have received the Excel spreadsheets.

1 525. Thus—at any moment in time during the Class Period—Defendants would have
2 known and were made aware how much inventory was at Extreme, how much inventory was being
3 shipped out to distributors and partners, and how much of the product was on backlog.

4 526. **Clari and Salesforce Databases.** Separately, multiple former employees describe
5 that the Company’s Clari (Extreme’s revenue orchestration and organization platform) and Salesforce
6 databases (Extreme’s enterprise and customer management system) would have revealed the status
7 of Extreme’s revenue forecasts, the pipeline of purchase orders, and would have even documented
8 whether Extreme’s end users were likely to place a purchase order.

9 527. These former employees described that the Clari and Salesforce database systems
10 would have revealed Extreme’s pipeline and revenue forecast at any given time during the Class
11 Period. These former employees also described that the Clari and Salesforce database systems hosted
12 the “Pipeline”/“Best Case”/“Key Best Case”/“Commit” framework, and that this framework was
13 intended to measure the likelihood that an end user will actually place and secure a purchase order
14 with Extreme.

15 528. FE-2 also specifically explained that Extreme’s weekly and daily updates were entered
16 into Extreme’s Salesforce system, and the details would be “pulled” by the Company’s “Clari”
17 system – which could be accessed in diverse ways through the Company’s various dashboards
18 depending on what type of information the user wanted.

19 529. Importantly, these former employees, including FE-5, stated that everyone at Extreme
20 had access to Clari and Salesforce, including senior level officers and executives—who could access
21 the employees’ pipelines or revenue forecasts. According to FE-5, the Clari and Salesforce databases
22 provided the ability to run reports for all sales and purchase orders nationwide and globally. FE-5
23 further described it as “everyone could pull revenue forecasts,” and the “*C-suite could see everything*
24 *we see.*”

25 530. Furthermore, FE-5 stated that he “knows for a fact” that senior level executives
26 reviewed those updates because he recalled being told on a number of bi-weekly calls throughout his
27 tenure that Defendant Meyercord and CRO Vitalone wanted additional details in the updates so that
28 they could better understand them.

1 531. As just one specific example, FE-5 specifically recalled on a bi-weekly call around
2 January 2024 when the Director of Global Solution Partnerships of Americas Amy Bravo and Vice
3 President of Americas Channel Jennifer Orr directed participants on the call to write their updates
4 clearly, detailed, and professionally as possible “*as if Meyercord is reading them, because he is.*”

5 **E. Defendants’ Participation In Meetings Is Further Indicia Of Scienter**

6 532. Defendants’ scienter is further evidenced by the number of meetings that Defendants
7 participated in, as described by former employees, in which both (1) the channel stuffing and
8 manipulative sales and inventory conduct was discussed, and (2) in which the true nature of the
9 backlog was discussed. Defendants’ presence, participation, and involvement in these meetings thus
10 further raises the inference of scienter.

11 533. “**Ed Talks.**” FE-1 provided to Lead Counsel personal notes evidencing meetings that
12 he described as “Ed talks” or Ed Meyercord talks, which evidenced Defendant Meyercord’s
13 involvement and knowledge of the supply chain constraints facing Extreme, and the inability for
14 Extreme to ship the backlog out as revenue due to such constraints. According to these notes, and
15 FE-1’s explanation of these notes, Defendant Meyercord stated in this meeting that (i) the supply
16 chain constraints were “not getting better,” (ii) the “constraints were creating backlog,” and (iii), that
17 as a result, Extreme “can’t ship” this backlog out as revenue.

18 534. “**Buy-In**” **Meetings.** FE-1 described—and other FEs corroborated—a “Buy-In”
19 process that would occur at the end of the fiscal quarter and ramped up considerably beginning in the
20 third quarter of fiscal year 2022, in order to meet Extreme’s financial revenue targets. According to
21 FE-1, Extreme would send outdated and unwanted inventory to the Company’s distributors through
22 multiple incentives including (1) “points” or rebates, *i.e.*, a monetary discount on the inventory; (2)
23 priority position in front of the backlog line for backlogged products—over other distributors; and
24 (3) stock rotation agreements. FE-1 described these “Buy-In” deals as a “structured deal” with each
25 of the distributors, in order for Extreme to “sell more inventory to distribution than distribution
26 needs.” According to FE-1, Defendant Brown organized the Buy-In deals at the end of the quarter
27 and was present at the Buy-In meetings. Additionally, FE-1 explained that Defendant Brown received
28 his “marching orders” from Defendant Rice.

1 535. **Exit Meetings.** Separately, FE-1 had multiple exit meetings in the summer of 2022
2 with Defendant Thomas, Executive Vice President of Global Human Resources Kimberly Basnight,
3 and FE-1’s Human Resources Manager – whereby FE-1 explained the unethical channel stuffing and
4 manipulative sales and inventory conduct he witnessed. According to FE-1, he left the Company as
5 a result of the unethical behavior and conduct he witnessed. The importance of these meetings is
6 significant, as FE-1 did not only meet with one individual, but many, including high-level Human
7 Resource executives such as Kimberly Basnight and the CFO of the Company itself—Defendant
8 Thomas.

9 536. **Quarterly and Monthly ELT Meetings.** During the Class Period, FE-7 was tasked
10 with examining the pricing strategy for Extreme’s entire product portfolio. FE-7 was the former
11 President of a company acquired by Extreme. FE-7 attended quarterly ELT meetings with C-Suite
12 executives as well as a second ELT meeting which occurred every 30 days. FE-7 explained that the
13 quarterly ELT meeting had detailed discussions on the status of the business, including the
14 Company’s backlog. FE-7 explained that both meetings, the (1) quarterly ELT meeting and (2) the
15 ELT meeting occurring every 30 days, were with members of the C-Suite, including Defendant
16 Meyercord, Defendant Thomas,⁴⁸ and Defendant Rice. FE-7 recalled that other individuals who
17 attended the ELT meetings included current President and CEO Meyercord, current COO Rice,
18 current Chief Product and Technology Officer Bukhari, former CRO Joe Vitalone, and the Chief
19 Financial Officer, who at the start of his time at Extreme was former CFO Thomas. FE-7 added that
20 former SVP/Head of Global Channels Scott Peterson also attended these meetings from “time to
21 time.” FE-7 further explained that the meetings which occurred approximately every 30 days on
22 average at times were every three or four weeks depending on the schedule of Defendant Meyercord.

23 537. According to FE-7, during the ELT Meetings, there was “always” an element of
24 discussion around the state of the business regarding progress towards sales targets and potential
25 “speed bumps” in achieving those sales targets.

26
27
28 ⁴⁸ While FE-7 knew of Defendant Thomas’ personal participation in these meetings, it is
reasonable to assume that Defendants Tate and Rhodes similarly participated in these meetings since
they held the CFO title at various points during the Class Period as well.

1 538. Moreover, FE-7 stated that at these meetings “everyone [referring to Extreme’s ELT]
2 in the room knew” that customers hedged their procurement and that it was “standard operating
3 procedure.” According to FE-7, *the C-Suite / ELT knew that the double-hedging and triple-hedging*
4 *practice by Extreme’s customers was going on*, especially during the constrained supply chain
5 environment.

6 539. FE-7 recalled that he was “startled” when he learned at a specific ELT meeting that
7 the Company was internally applying a 10% hedge to backlog orders. FE-7 recalled that this meeting
8 was attended by CTO Bukhari, Defendant Meyercord, then-COO Norman Defendant Rice, former
9 CRO Vitalone, and Defendant Thomas.

10 540. FE-7 explained that he expressed these concerns to Meyercord, Thomas, and others at
11 the ELT meeting. He recalled that their response to his concerns was “thank you for your opinion,”
12 and it was “clear” to FE-7 that his concerns were “inconvenient” and would not be discussed again.

13 541. In the week following the ELT meeting, FE-7 conducted an “acid test” by asking
14 industry CIOs if their customers were double or triple booking orders. Shortly after these
15 conversations, FE-7 told Bukhari that the companies of all of the CIOs with whom he spoke were
16 hedging by placing orders for products with multiple vendors. FE-7 stated that some CIOs said that
17 their companies were placing orders with two vendors, and most were placing orders with three
18 different vendors (and some more). According to FE-7, he is “confident” that CTO Bukhari relayed
19 this information to the C-Suite, including Defendants Meyercord and Thomas. FE-7 added it is his
20 understanding that Bukhari went to Meyercord with this information based on the close relationship
21 between Bukhari and Meyercord.

22 542. **Revenue Assurance and “Output” Calls.** FE-8 recalled “Revenue Assurance” calls
23 where the backlog was discussed and there were “conversations around the [backlog] hedge” and the
24 algorithm that Extreme used for this calculation.

25 543. According to FE-8, the “Revenue Assurance Calls” were attended by Defendant
26 Brown, members of the Finance team, Defendant Rice, and Senior Vice President Jack Lyon. FE-8
27 explained that the “Revenue Assurance” calls were led by Defendant Rice, who then “took the baton”
28

1 and had subsequent conversations with the CEO (Defendant Meyercord) and CFO (Defendants
2 Thomas/Tate/Rhodes) through “Output” calls.

3 544. According to FE-8, these “Output” meetings were calls that occurred after the
4 “Revenue Assurance” calls, where Defendant Rice and others relayed the information to the CEO
5 and CFO – indicating “here’s what we’re looking at” and the level of risk and the upside. Further,
6 FE-8 explained that it was his understanding that the information provided to the CEO and CFO in
7 the “Output” calls was also presented through an Excel summary sheet, which included the range of
8 calculations for potential outcomes, including the assumed “yield” from the *backlog*—*i.e.*, the
9 conversion from backlog to product revenue.

10 545. According to FE-8, the Revenue Assurance calls were a “quarterly function” with
11 meetings becoming more frequent as the quarter progressed. FE-8 explained that during the first two
12 months of the quarter, meetings occurred during the final week of the month to discuss current trends.
13 FE-8 continued to explain that during the third month of each quarter the call became weekly and
14 “week over week” trends were discussed. FE-8 explained toward the end of each quarter, these calls
15 occurred “almost daily” and “day over day” happenings were discussed on a more “precise” level.

16 546. FE-8 also explained that it was his understanding that the Output calls between
17 Defendant Rice, Meyercord, and the CFO occurred at the same frequency as the Revenue Assurance
18 Calls, so as the number of Revenue Assurance calls increased throughout the quarter so too did the
19 Output calls—because “ultimately” Defendant Rice, Defendant Meyercord, and the CFO were trying
20 to determine the “earnings story” they were going to tell the market.

21 547. According to FE-8, information from the Revenue Assurance Calls was provided to
22 Meyercord and he recalled instances where it was noted that an update needed to get to Meyercord
23 and that there was certain information he wanted to know. FE-8 further stated that it was “openly
24 known that the information was going to get to the CEO.”

25 548. **Weekly Forecast Calls.** Further, FE-1 described a process of weekly forecast calls
26 and meetings in which the pipeline reports would be discussed, and *which would indicate how bad*
27 *and “unclean” the deals were.*

1 **F. Given The Facts Alleged Herein, It Would Be Absurd To Believe Defendants**
2 **Did Not Act With Scienter**

3 549. Given the facts alleged herein, including the actual access that Defendants had to truth
4 of the Company's business operations, and the critical importance of the Company's revenues,
5 backlog, and other financial indicators and metrics for the Company's overall health, it would be
6 absurd to believe that the Company did not know of (i) the undisclosed channel stuffing and
7 manipulative sales tactics which greatly accelerated revenues, and (ii) the truth regarding the strength
8 and "firmness" of the Company's backlog—a key financial metric.

9 550. Indeed, as to the channel stuffing and manipulative sales and inventory practices
10 alleged herein, the breadth and the widespread nature of such practices further raise the indicia of
11 scienter. As alleged above, the undisclosed manipulative sales and inventory practices affected and
12 touched Extreme's most important distributors and partners, which included distributors such as TD
13 Synnex, Westcon, Jenne and ScanSource. These distributors accounted for more than **50%** of the
14 Company's overall revenues during the Class Period. Furthermore, the undisclosed manipulative
15 sales and inventory practices were not isolated to just one region, but affected the Americas, EMEA,
16 and multiple large business segments. As one former employee stated, (FE-2), he witnessed "channel
17 stuffing" throughout his tenure as Director of Sales, where he worked in the "largest revenue
18 producing region in the Americas."

19 551. Furthermore, Defendants had executive oversight of Defendant Brown, who reported
20 directly to the C-Suite through Defendant Rice. Defendants Rice himself was a member of the ELT.
21 Additionally, Defendants Meyercord, Thomas, Tate, and Rhodes had direct control over the sales and
22 product revenue reporting for Extreme's fiscal quarters.

23 552. Given (1) Defendants' executive oversight of Defendant Rice and Brown, who
24 according to former employees orchestrated and were responsible for the channel stuffing and
25 manipulative sales conduct described herein, (2) the fact that Defendant Thomas was made aware of
26 these manipulative sales and inventory tactics on July 20, 2022—just **days** before the start of the
27 Class Period, and (3) the numerous numbers of documentary evidence and reports that were available
28

1 during the Class Period—it would be absurd to believe that Defendants would have not been made
2 aware of the manipulative channel stuffing, sales, and inventory tactics described herein.

3 553. Additionally, the extraordinary importance, magnitude, and amount of the backlog
4 also raises the inference of scienter.

5 554. First, the backlog number itself was highly material to the Company—*i.e.*, a present-
6 tense metric reflecting what anticipated revenues would be based off current purchase orders. The
7 present-tense backlog was thus a reflection of revenues for the Company. Indeed, Defendants spoke
8 about backlog in every single quarterly Earnings Call over the Class Period—and asserted that the
9 backlog they touted poised the Company for strong revenue growth. Moreover, numerous analysts
10 were extremely focused on the level of backlog and the significance of Defendants’ backlog to
11 Extreme’s product revenues. The inference of scienter is heightened over such a material metric to
12 the Company, and given the importance of backlog to the Company’s core operations, the Defendants
13 would know—or were reckless in not knowing—the true nature, strength, and composition of the
14 backlog, and whether the backlog was indeed “firm.”

15 555. Second, the amount of product backlog during the Class Period was of enormous
16 magnitude, reaching upwards of \$555 million at one point during the Class Period. In terms of
17 revenues, this reflected *multiple quarters worth of product revenue*. It would be absurd to think that
18 Defendants would be unaware of the composition and strength of the backlog, especially as they
19 continuously touted to the market during the Class Period that this backlog would be converted to
20 revenues, and that the orders of backlog were “strong” and “healthy.”

21 556. Notably, Defendants stopped reporting backlog during the Class Period as soon as it
22 became clear that the declines in backlog were not converting into product revenue as they previously
23 led the market to believe they would.

24 557. Indeed, as discussed in detail *supra* Section IV.D, backlog declined significantly from
25 2Q2023 to 3Q2023, reflecting a decline of \$104.5 million. Notably, product revenue only increased
26 by \$17.6 million during that same period, reflecting that \$86.9 million of the backlog was
27 unaccounted for. Thereafter, from 3Q2023 to 4Q2023, backlog declined significantly again, from
28 \$437.5 million to \$267.3 million—an extraordinary \$170.2 million loss in backlog. Again, product

1 revenue only increased by a paltry \$20.6 million over the same period, reflecting that \$149.6 million
2 of the backlog was unaccounted for.

3 558. Thereafter, Defendants stopped reporting backlog to the market on a quarterly basis.

4 559. Notably, backlog was a material metric to the market, and Defendants offered no
5 explanation for why they stopped reporting backlog besides obfuscating the unexplainable loss of
6 millions of dollars of backlog. Indeed, on 3Q2023, *i.e.*, the first significant decline in backlog,
7 Defendant Meyercord stated in the 3Q2023 Earnings Call:

8 What we've said is that overall backlog is about 5x. Obviously, distributor behavior is
9 a little more tied to lead times and lead times came down faster. We're expecting them
10 to come down, *so we really don't want to get into sort of dissecting backlog. Really*
11 *what we want to do is reinforce our outlook of revenue growth. And we're doing that*
out through our fiscal '25, which is out there. We baked that into our revenue guide,
and that's where we're trying to focus everyone.

12 560. And on 4Q2023, *i.e.*, the second consecutive quarter in which backlog decreased
13 significantly but product revenues did not increase at the same rate, Defendant Meyercord stated:

14 *So Mike, we said last quarter that we were not going to give -- we were going to move*
15 *away from giving a specific backlog number each and every quarter.* I think what Ed
16 said in his prepared remarks is that our backlog is now -- we feel like it will start to
normalize throughout 2024 and into Q1 of 2025. We feel good about the level of
backlog we have.

17 561. Notably, whether backlog was firm or not and whether the composition of the backlog
18 was strong and healthy—as Defendants claimed—could be measured and illuminated by comparison
19 of the reduction in product backlog with the limited gain in product revenues.

20 562. Thus, obfuscating how much backlog there was, beginning in 1Q2024—and as
21 product revenues were materially declining (*see supra* Section IV.D.4)—further elevates the
22 inference of scienter, as it would prevent the market from accurately understanding how firm the
23 prior-reported backlog was and whether such backlog was—in fact—leading to revenue growth as
24 Defendants claimed.

25 **G. In The Constrained Supply Chain Environment, Defendants Had Motive And**
26 **Opportunity To Accelerate Revenues Through Channel Stuffing**

27 563. Given the constrained supply chain environment, as discussed *supra* Section IV.C, and
28 the downward effect that this constrained supply chain environment had on the Company's total

1 revenues, distributor revenues, and product revenues, the Company had a strong motive and
2 opportunity to engage in channel stuffing and other manipulative sales tactics in order to prop up
3 revenues during this constrained environment.

4 564. Specifically, former employees described how Extreme’s revenue recognition model
5 during the Class Period allowed Extreme and Defendants the ability to recognize revenues at the
6 moment of shipment to distributors and partners—*not* when the end user received or actually
7 purchased the product.

8 565. Furthermore, these former employees described and explained that purchase orders
9 made by Extreme’s customers that were on backlog could *not* be counted as revenues, because they
10 were orders that had not been fulfilled, and thus, not shipped.

11 566. Despite Extreme’s impressive growth in backlog during the constrained supply chain
12 environment, it nevertheless could not recognize such growth in backlog as revenues. Indeed,
13 Defendant Meyercord stated at the outset of the Class Period that Defendants’ revenue growth was
14 nonetheless “understated by the \$400 million of incremental backlog we built during the year.”

15 567. Accordingly, Extreme and Defendants had a strong incentive to boost short term
16 revenues at the expense of future demand in order to quell market and analyst concerns about the
17 ability to generate revenues and be profitable during the constrained supply chain environment. As
18 FE-1 explained, Defendant Meyercord’s remarks during the March 17, 2022 Ed Talk underscored
19 the pressure that the Company faced and the urgent need to meet revenue targets by any means.

20 568. In doing so, Defendants borrowed from future demand by engaging in their
21 manipulative channel stuffing practices and by “pulling in sales,” in order to meet current
22 expectations, as explained and described *supra* Section IV.C.

23 569. Further, the significant revenue declines in 2Q2024 and 3Q2024—that were in sharp
24 contrast to the revenue growth while the channel stuffing took place—are highly indicative of the
25 channel stuffing conduct that occurred during the Class Period, and are demonstrative that the
26 demand for Extreme’s products was artificially inflated by Defendants’ undisclosed manipulative
27 sales and inventory conduct.

28

1 570. Indeed, at the end of the Class Period, Defendants disclosed that for 3Q2024, Extreme
2 expected “*sell through to be significantly higher than sell-in*, which we believe will have a
3 meaningful impact on our operating results. To quantify this impact, *we expect a \$40 million to \$50*
4 *million reduction in channel inventory in the third quarter*, which will allow us to cover to a more
5 normalized level of revenue in the fourth quarter.”

6 571. Extreme thus disclosed that it anticipated that sales from the distributor/partners to the
7 end users (*i.e.*, the “sell-throughs”) will be “significantly” higher than sales from Extreme to the
8 distributor/partner (*i.e.*, the “sell-ins”)—which would result in drastically less revenue as less product
9 would be shipped to the distributors and partners. Through this disclosure, Extreme indicated that
10 there was a surplus of inventory at the distributor/partner level that needed to be sold off.

11 **H. Extreme’s Executive Compensation Program Further Incentivized The**
12 **Individual Defendants To Accelerate Revenues In The Short Term, Through**
13 **The Channel Stuffing And Manipulative Sales Tactics**

14 572. The Individual Defendants were also motivated to engage in the channel stuffing and
15 manipulative sales scheme in order to reap financial benefits from Extreme’s executive compensation
16 program. The Company disclosed its executive compensation payouts for fiscal year 2023 (July 1,
17 2022 through June 30, 2023) in its Form DEF14A Proxy Statement (“2023 Proxy”) filed with the
18 SEC on September 26, 2023.

19 573. In the 2023 Proxy, the Company revealed that Defendants Meyercord, Thomas, Tate,
20 and Rhodes were named executive officers, or “NEOs.” The Company further explained that it
21 operated an executive compensation plan, referred to as the Extreme Incentive Plan (“EIP”). The EIP
22 applied to its NEOs—including Defendants Meyercord, Thomas, Tate, and Thomas.

23 574. According to the 2023 Proxy, the EIP was a “short-term cash incentive plan,” which
24 was “designed to reward Company performance . . . *particularly in the short term.*”

25 575. Furthermore, according to this EIP, the executive compensation plan for Defendants
26 Meyercord, Thomas, Tate, and Rhodes was both (1) “*directly linked to* the performance of the
27 Company and *to our stock price,*” and (2) was based on the achievement of *pre-established revenue*
28 *goals.*

1 576. Specifically, the EIP for FY2023 provided for semi-annual payouts based on the
2 achievement of pre-established revenue goals for the Company, for each of the first and second halves
3 of fiscal year 2023.

4 577. For the first half of FY2023 (*i.e.*, July 1, 2022 through December 31, 2022), the
5 Company’s “threshold” revenue—which would grant the Defendants’ additional compensation (*i.e.*,
6 a bonus)—was \$505.6 million. And the “target” goal for revenues was \$594.8 million. According
7 to the Proxy, Defendants reached and surpassed both, achieving \$616.0 million in revenues for the
8 first half of FY2023.

9 578. For the second half of FY2023 (*i.e.*, January 1, 2023 through June 30, 2023), under
10 the EIP compensation incentive, the Company’s threshold revenues goals were \$585.1 million, and
11 the target was \$688.3 million. And again, according to the Proxy, Defendants reached and surpassed
12 both goals, achieving \$696.4 million in revenues for the second half of FY2023.

13 579. *As a direct result of Extreme’s achievement of revenues in excess of target*,
14 Defendants Meyercord, Thomas, Tate, and Rhodes were thus eligible—and did—receive a hefty cash
15 EIP payment bonus for each half (“1H or 2H”) of the year:

16 Defendant	1H 2023 Base Salary	1H 2023 EIP Bonus ⁴⁹	Bonus % of Salary	2H 2023 Base Salary	2H 2023 EIP Bonus ⁵⁰	Bonus % of Salary
17 Meyercord	\$400,000	\$569,920	142%	\$400,000	\$544,840	136%
18 Thomas	\$250,000	\$232,900	93%	\$64,423	N/A ⁵¹	N/A
19 Tate	\$154,005	\$78,519	51%	\$173,171	\$85,600	49%

20
21
22 580. Notably, as shown above, the EIP cash payments paid out as a result of the increased
23 revenues were significant, and in some cases, *larger than Defendant’s base salary*. Indeed, for
24 FY2023, Defendant Meyercord received a total of *\$1,114,400 million* in this EIP bonus—a cash
25

26
27 ⁴⁹ According to the Proxy, this was “paid” out in February 2023.

28 ⁵⁰ According to the Proxy, this was “paid” out in August 2023.

⁵¹ Defendant Thomas left the Company in February 2023.

1 payment amount that was only brought about by the increased revenues. And this monetary cash
2 payment was *139% larger than his base salary* for the year, which was \$800,000.

3 581. These monetary incentives continued into the Class Period (which ends January 30,
4 2024). In Extreme’s 2024 Proxy Statement, filed with the SEC on September 27, 2024, Extreme
5 disclosed that from July 1, 2023 to December 31, 2023, Defendant Meyercord received \$183,456 in
6 an EIP cash bonus, and that Defendant Rhodes received a \$71,400 monetary cash payment. Notably,
7 neither Defendants Meyercord nor Rhodes received a dollar of EIP cash bonus for the second half of
8 fiscal year 2024, given the final corrective disclosures and loss of shareholder value.

9 582. Thus, given that the Individual Defendants’ “*short term*” executive compensation was
10 “directly linked” and “directly tied” to the Company’s revenues and stock price performance, and
11 with the opportunity to earn substantial cash sums twice in the same fiscal year, these Individual
12 Defendants had a strong personal pecuniary motive to engage in the channel stuffing and
13 manipulative sales and inventory tactics described herein—which artificially inflated Extreme’s
14 revenues and Extreme’s stock price, and which in turn, allowed the Individual Defendants to obtain
15 millions of dollars of additional compensation.

16 583. Defendants Meyercord, Thomas, Tate, and Rhodes were also awarded incentive
17 awards in the form of stock and stock options each year. Extreme granted Defendant Meyercord
18 hundreds of thousands of shares each year pursuant to its Extreme Incentive Plan. Specifically,
19 Extreme granted Meyercord 766,660 shares in FY2021, 312,500 shares in FY2022, and 463,845
20 shares in FY2023. Notably, while Defendant Meyercord’s holdings in Extreme increased during the
21 Class Period by virtue of these incentive and compensation awards, Meyercord did not purchase a
22 single share of Extreme on the open market during the Class Period based upon review of
23 Meyercord’s filed Form 4s. Instead, he acquired shares solely through the exercise or conversion of
24 derivative securities.

25 **I. The Retaliatory Culture At Extreme Supports An Inference of Scienter**

26 584. The inference of scienter, including with respect to Defendants’ undisclosed
27 manipulative sales tactics and channel stuffing conduct, is further strengthened due to the retaliatory
28 culture that existed at Extreme concerning individuals who refused to participate in the illicit tactics

1 and conduct. Furthermore, there was suspicious turnover by Extreme’s executives during the Class
2 Period while Defendant Rice—who orchestrated the channel stuffing conduct as alleged herein—was
3 promoted and given a new title of Chief Commercial Officer.

4 585. An example of retaliatory conduct was demonstrated by the account of FE-2. FE-2,
5 former Director of Sales at Extreme, described an incident that occurred in June 2023 in which David
6 Savage, the Vice President of Sales and Senior Director of SLED (State, Local, and Education) Sales,
7 directed FE-2 to ask channel partner PC Solutions to take approximately \$1.5 million worth of
8 inventory by the end of that month without a confirmed end user purchase order.

9 586. FE-2 often told Savage that there were no legitimate reasons to pull in this inventory,
10 as corroborated by a series of emails shared with Lead Counsel. For example, on June 6, 2023, FE-2
11 sent an email to Savage indicating that PC Solutions does not have a “compelling reason” to pull in
12 inventory early because one end user customer did not even have its budget “until after July 1st and
13 they don’t need the gear for several months” and another won’t even “get their internal funding until
14 sometime next FY but does not know when that will be yet.” As a result, the PC Solutions agent
15 “isn’t in desperate need to get the equipment right now.” In response to that email, Savage asked FE-
16 2 to see “*What else can you pull in from next fy to cover some or all of this?*”

17 587. FE-2 explained that in June 2023, Savage had been “riding me hard,” had become
18 increasingly “belligerent” behind the scenes, and was “making my life miserable.”

19 588. On June 29, 2023, the day before the close of Q4 and FY2023, Extreme was still trying
20 to find a way to close a deal with PC Solutions “by end of June” for about “\$1.9M all-in.” That
21 morning, Savage emailed FE-2 and said “we need as much as we can get in today and tomorrow”
22 and encouraged FE-2 to “get creative” with PC Solutions. However, according to FE-2, there was no
23 indication at that time that Extreme was going to be awarded the purchase order, so he refused to do
24 it. FE-2 explained that he did this because (i) he perceived it as unethical and (ii) Extreme had done
25 this to PC Solutions at least once previously and in that previous occurrence, the purchase order never
26 came, and PC Solutions was stuck with the inventory for a year.

27 589. Notably, FE-2 advised that he reported the June 2023 incident in the SOX quarterly
28 questionnaire form that he and his fellow sales directors had to fill out every quarter where they had

1 to report any inappropriate requests. FE recalled that he filled this out probably at the end of July
2 2023, adding that this was both at the very end of 4Q'23 and FY2023. According to FE-2, he received
3 a call from someone in Human Resources who asked him a question or two about it, but nothing ever
4 came of it.

5 590. FE-2 recalled that as a result of the PC Solutions transaction that Savage ultimately
6 closed, he believed that he was demoted from his Director position just a short time later to an
7 Account Executive position, at around half of his compensation of his Director of Sales position.
8 Regarding FE-2's demotion, FE-2 stated that Savage told him that he was "making a change" and
9 moving FE-2 out of SLED and into another department where they were creating a position for FE-
10 2.

11 591. According to FE-2, Human Resources never contacted FE-2 for being demoted, and
12 Savage never gave a real reason for the demotion. FE-2 recalled that Defendant Rice told him in an
13 exit interview that Savage had wanted to "let go" of FE-2 at that time, but that Defendant Rice told
14 Savage to demote FE-2 instead. Notably, FE-2 believes that Extreme, or at least Defendant Rice,
15 understood that FE-2 could have sued the Company if they had fired him for refusing to do something
16 unethical and possibly illegal and that instead a demotion would not lead to a lawsuit.

17 592. Other former employees were retaliated against and fired in response to their efforts
18 to do the right thing, the results of which would have projected a less positive revenue position for
19 the Company. For example, FE-10, a Senior Account Executive who started at Extreme in July 2023,
20 described how he learned that individuals at Extreme had the ability to input comments into
21 Salesforce for opportunities based on conversations with customers without any "back up." FE-10
22 recalled an instance of a significant opportunity in Salesforce that he could not get "validated" with
23 the customer as being legitimate. According to FE-10, however, when he attempted to remove this
24 opportunity from Salesforce he was instructed "don't take it out" or "kill it" and instead he was
25 instructed to "move" the opportunity to the end of the year. FE-10 explained that this "inflated" the
26 "health" of his territory and that this practice was "not good." According to FE-10, the revenue
27 forecasting should have been "reflecting reality"—which it did not during his tenure. FE-10 explained
28 that by cleaning the data he was responsible for, it "skewed" the pipeline and opportunity forecasts

1 “negatively.” FE-10 added that the triggers were in place to assist with identifying individuals to be
2 laid off, and that by removing old data and therefore reducing the forecasts for his territory, his
3 standing at the Company was negatively impacted.

4 593. FE-10 further explained that he was individually performing well and did not have any
5 inclination that he may be laid off less than one year after starting. According to FE-10, he had had
6 internal conversations about “cleaning up” the forecasts when he joined and noted that there were
7 opportunities in the Salesforce maintained by his predecessors which were not “real” deals. FE-10
8 recalled that his counterparts on his team were all “older reps” who had been at the Company for at
9 least a year and were not focused on “cleaning” their data. According to FE-10, he was advised by
10 his counterparts “not to focus on that [data cleaning] too much.” FE-10 noted that they “all played
11 ball” by leaving old data and opportunities in Salesforce.

12 594. Notably, FE-10 also explained of a separate incident in which he tried to act “with
13 integrity” prior to the end of his tenure. FE-10 recounted how he was asked to see if a distributor
14 would cut a purchase order to Extreme without having received the purchase order from the end user.
15 FE-10 explained that he was told and directed by upper management to ask the distributor if they
16 could “cut” (meaning issue) the purchase order because the customer had not yet done so, and
17 Extreme could only recognize revenue once the distributor had a purchase order. FE-10 pushed back
18 against his superiors and obtained the purchase order from the end customer “with integrity.”

19 595. FE-10 further explained that when he was let go from the Company in April 2024, he
20 was “blindsided” and there was no “heads up.” According to FE-10, he was the only one on his team
21 “cleaning up the pipeline” in order to correct the accuracy of the forecasting.

22 **J. Defendants’ Refusal to Document Their Channel Stuffing Conduct Strongly**
23 **Supports an Inference of Scienter**

24 596. Former employees describe how Defendants avoided putting the terms of their
25 manipulative sales practices “in writing,” evincing an acknowledgement of wrongdoing and a need
26 to hide Extreme’s manipulative sales practices.

27 597. For example, in late March 2022, just day after the March 16, 2022 meeting that “blew
28 up” FIFO backlog fulfillment and leveraged backlog priority to those who helped Extreme close its

1 revenue gap with unneeded, shippable product, FE-1 recorded in his notes a call with Defendant
 2 Brown, Joe Uraco, and a TD Synnex Vice President of Vendor Management. As FE-1 recalled and
 3 his notes reflect, a purpose of the call was to get TD Synnex to accept a “side deal” with respect to a
 4 purchase of goods related to a “Verizon deal.” FE-1 explained that the VP of Vendor Management
 5 of TD Synnex stated that he may be willing to take Extreme’s offer to his supervisor at TD Synnex
 6 if Defendant Brown would put this deal, and any other potential “side deals,” in writing. However,
 7 according to FE-1, Brown responded that he would only do a verbal deal and would not put anything
 8 into writing, with FE-1’s contemporaneous notes from this March 23, 2022 call stating “could not
 9 put in writing only verbal.” FE-1 elaborated that Brown never wanted to put anything into writing or
 10 have his name on anything. A screenshot of these meeting notes is pasted below:

11 10:42- Jonasa Job Call
 12 call w/ MIKE H. - 50 MINUTES.
 13 WANTED TO KNOW IF BACKLOG CUT
 14 IN ADF →
 15 → SAYS IT TOOK 2 WEEKS. JUST
 16 PASSED ON THE VERIZON DEAL -
 17 WOULD HAVE BEEN \$7M NOW + \$70M NEW YORK
 18 H. COULD NOT PUT IN WRITING ONLY VERBAL.
 19 WANTED TO KNOW. ABOUT SIDE DEALS.

18 598. Similarly, FE-2 described how with respect to the PC Solutions July 2023 transaction,
 19 he emailed Vice President Sales Strategy, Business Development, and Operations Matt Cleaver on
 20 June 29th, 2023 at 9:49 am, with the subject line: “FW: PC Solutions Deals Update.” In this email,
 21 FE-2 told Cleaver that, “we approached [PC Solutions] a couple weeks ago and asked if he could pull
 22 in about 4 Product deals by end of June (Glynn, Manatee, Commerce, Banks...~\$1.9M all-in). At
 23 first, he wasn’t interested (said he needed to clean out his warehouse while it’s more empty...).” FE-
 24 2 explained that PC Solutions had made some demands for discounts and that there had been
 25 discussions around that. He continued, “We agreed to meet all those demands, but then he came back
 26 with more demands and wanted us to pay him \$180K in additional deal discounts plus the \$20K
 27 SPIFF to do it.” FE-2 attached emails documenting these discussions.

1 599. Cleaver did not respond to FE-2. FE-2 was surprised when Cleaver did not respond
2 fairly promptly as he usually did, and that instead, FE-2 received an angry call from Vice President
3 of Sales and Senior Director of SLED (State, Local, and Education) Sales David Savage later that
4 same day. According to FE-2, Savage was angry and said that any directives he gave to ship early
5 inventory should be private and not discussed with the rest of the Company. Savage then told FE-2
6 that he (Savage) would personally call PC Solutions and make the request, which he did and was able
7 to close this suspicious transaction.

8 600. This culture directed by Defendants—and especially when viewed in conjunction with
9 FE-1’s notes that “*Ed chose this path*”—demonstrates that Defendants were *fully aware* that their
10 channel stuffing and backlog scheme was improper, not above-board, and should not be documented,
11 strongly supporting scienter in this action.

12 **K. Defendants’ Refusal to Heed Warnings Concerning Their Backlog**
13 **Misrepresentations Strongly Support Scienter**

14 601. A high level executive, FE-7, directly warned Defendants Meyercord, Thomas, and
15 Rice at an ELT meeting that Extreme’s reported backlog number was in conflict with established and
16 known industry practice. In response, he was ignored.

17 602. Specifically, in the week following Summer 2022 ELT meeting in which FE-7 learned
18 that Extreme expected that only 10% of the backlog would be cancelled (which, of course, was still
19 far greater than the 1% communicated to the market), FE-7 conducted an “acid test” inquiry of
20 approximately five industry CIOs in order to substantiate his concerns. His acid test did just that,
21 validating his understanding that companies that had been or were similar to Extreme customers
22 would double or triple book (or more) their orders for in-demand product that was commonly
23 backlogged.

24 603. FE-7 explained that he was “baffled” by the 10% hedge figure the Company had
25 applied to its backlog, and it “didn’t make sense to him” based on his experience. FE-7 recalled that
26 he informed Bukhari that the Company’s internal 10% hedge was “just not right” and that he was
27 “*quite certain this is misleading.*” FE-7 continued to explain that a more realistic figure was as much
28 as **66%**—explaining that upwards of two-thirds of those deals may not come to be realized. FE-7

1 recalled that he further told Bukhari that he had previously held the same positions as many of the
2 higher-ups at Extreme—including the same positions as John Morrison (Senior Vice President
3 EMEA Sales and Services) and Joe Vitalone (Chief Revenue Officer)—at his previous companies,
4 and that he wanted to express his concerns to Bukhari because Bukhari “was part of the executive
5 team” and, per FE-7’s extensive experience, “this is not how you do things.”

6 604. According to FE-7, he expressed to Bukhari that Bukhari could “do what you may”
7 with that information and that if FE-7 was “king for a day,” this was something the Company would
8 have to talk about. FE-7 explained that there has “never” been a case, based on his extensive industry
9 experience, where 90% of a Company’s backlog “has been good” in the history of the generic
10 hardware industry. FE-7 further explained that Extreme’s internal 10% hedge was “removed from
11 reality” and if the hedge was not addressed that “a lot” of people will find themselves with “egg on
12 their face.”

13 605. FE-7 added it is his understanding that Bukhari went to Meyercord with this
14 information based on the close relationship between Bukhari and Meyercord.

15 606. According to FE-7, Extreme “damn well knew” how many orders they would be
16 expecting to fill, “the 10% [internal hedge figure] was bullshit because [they] damn well know,” the
17 reported 1% figure—as Defendants publicly represented—was “even worse.”

18 607. FE-7’s account strongly supports an inference of scienter with respect to Defendants’
19 backlog misrepresentations.

20 **L. The Departures And Resignations Of High-Level Executives Also Supports An**
21 **Inference Of Scienter**

22 608. Employees at Extreme left the Company on their own accord after witnessing the
23 “unethical” channel stuffing conduct performed by Defendants. For example, FE-1 decided to leave
24 the Company after witnessing numerous instances of unethical and manipulative channel stuffing
25 behavior with distributors—committed by the Individual Defendants at the specific direction of
26 Defendant Meyercord.

27 609. Notably, according to FE-1, Defendant Brown was trying to get FE-1 fired.
28 Specifically, after witnessing “unethical” and “embarrassing” behavior, FE-1 handed in his two

1 weeks' notice. However, FE-1 recalled that Defendant Brown had wanted to fire him *immediately*
2 after giving notice, fearing that FE-1 may say negative things about Extreme to the distributors.

3 610. Furthermore, FE-1 explained that his supervisor, Director of Distribution in the
4 Americas, Joe Uraco *was*—in fact—fired by Defendant Brown around 90 days⁵² after FE-1 resigned
5 from the Company (in July/August 2022). FE-1 knows this based upon his own conversation with
6 Uraco. And according to FE-1, nothing changed at Extreme even after FE-1's exit interviews in July
7 2022.

8 611. Furthermore, the indicia of scienter is further strengthened due to the significant turn-
9 over and resignations of high-level Extreme executives in the C-Suite, all while Defendant Rice—
10 who helped orchestrate the channel stuffing conduct—was given a new title and further revenue and
11 sales responsibilities as Chief Commercial Officer.

12 612. Defendant Thomas's departure from Extreme also raises an inference of scienter. On
13 January 25, 2023, Extreme announced through a press release Defendant Thomas' departure from
14 the Company, effective February 16, 2023. Notably, the press release gave limited clarifying details
15 regarding Defendant Thomas's sudden departure. Analysts such as Rosenblatt Securities considered
16 the departure "unexpected." However, FE-1 recalled that Joe Uraco conveyed that he spoke with
17 then-CFO, Defendant Thomas in April 2022, who told Uraco that he did not like how "things" were
18 trending at Extreme and he "wanted to get out of there." Furthermore, raising the indicia of scienter,
19 FE-1 explained that, after FE-1 left the Company, a former colleague mentioned to him in a
20 conversation that Defendant Thomas thought he should have done something about the information
21 that was presented to him, but Defendant Thomas stated "he was on his way out" anyway.

22 613. Moreover, on January 8, 2024, Chief Revenue Officer and head of sales, Joe Vitalone,
23 who had joined Extreme in June 2020, resigned from his role. In response to this unexpected news,
24 Extreme elevated COO Defendant Rice to Chief Commercial Officer where he would focus on
25 revenue growth as well as sales and supply chain organization.

26
27
28 ⁵² 90 days after the July/August 2022 timeframe is approximately October/November 2022.

1 614. The frequent turn-over and resignations of many high-level executives in the C-Suite,
2 and the simultaneous promotion and elevation of Defendant Rice—who was a key orchestrator of the
3 channel stuffing conduct alleged herein—thus further raises the inference of scienter. This inference
4 of scienter is further raised due to Extreme’s conduct of retaliating against its employees who sought
5 to “act with integrity” and chose not to participate in the “unethical” and illicit undisclosed tactics
6 alleged herein.

7 **IX. LOSS CAUSATION**

8 615. The fraud alleged herein was the proximate cause of the economic loss suffered by
9 Lead Plaintiffs and the Class. There was a causal connection between the alleged fraud and the loss
10 (*i.e.*, stock price declines) described herein. *See, e.g., Mineworkers’ Pension Scheme v. First Solar*
11 *Inc.*, 881 F.3d 750 (9th Cir. 2018).

12 616. During the Class Period, Lead Plaintiffs and other Class members purchased or
13 otherwise acquired Extreme common stock at artificially inflated prices, and were damaged thereby
14 when the price of Extreme common stock declined in response to the partial disclosures. Throughout
15 the Class Period, the price of Extreme common stock was artificially inflated and/or maintained as a
16 result of Defendants’ materially false and misleading statements and omissions. The price of Extreme
17 common stock significantly declined, causing investors to suffer losses, in response to a series of
18 partial disclosures concerning or connected to the facts misrepresented or concealed by Defendants,
19 which disclosures are described more fully above in Section V. Throughout the disclosure period,
20 Defendants mitigated Extreme’s stock price declines by making additional false assurances
21 concerning the alleged fraud, as described herein.

22 617. As the result of the disclosures described herein on January 25, 2023, August 24, 2023,
23 November 1, 2023, January 8, 2024, and January 31, 2024, Extreme common stock declined from a
24 Class Period high of \$32.27 per share to a closing price of \$12.59 per share on February 2, 2024 after
25 the final corrective disclosure, a decline of over 60%. Each of these disclosures made were associated
26 with a statistically significant “abnormal” decline, meaning that they were not explained by broader
27 market or industry price declines, as described in more detail in Section V, above.

28

618. The below chart summarizes Extreme's partial disclosure, the impact of such disclosures on its stock price, as well as that which each statement revealed about Extreme:

Date of Disclosure(s)	Disclosure(s)	Resultant Decrease in Stock Price	Corrective Disclosure Revelation
January 25, 2023	<ul style="list-style-type: none"> Extreme's financial results for 2Q2023 revealed for the first time that backlog had fallen from \$555 million to \$542 million. On Extreme's 2Q2023 Earnings Call, Defendant Meyercord shortened the timeline for backlog normalization from previously stated FY2026 to 4Q2025. Extreme's Form 8-K announced the resignation of Defendant Thomas as CFO of the Company, effective February 16, 2023. 	The price of Extreme's stock decreased from \$19.31 per share at market close on January 24, 2023, to \$16.50 per share at market close on January 25, 2023, a nearly 15% decline on unusually heavy trading volume of over 9 million shares.	Extreme's decline in backlog indicated that orders were not firm or based on organic end user demand; the resignation of Defendant Thomas concurrently indicated internal Company turmoil and wrongdoing in connection with financial results.
August 24, 2023	<ul style="list-style-type: none"> Extreme's FY2023 Form 10-K revealed that backlog had fallen to \$267.3 million as of June 30, 2023, compared to \$513.0 million at June 30, 2022 (and \$542 million at two quarters prior). 	The price of Extreme's stock decreased from \$27.68 per share at market close on August 24, 2023, to \$25.16 per share at market close on August 25, 2023, a 9% decline on unusually heavy trading volume of over 10 million shares.	Extreme's backlog had essentially halved in a very short period of time, indicating that its backlog orders were not firm or based on organic end user demand; this meant that future revenue growth was no longer assured and weaknesses in demand were exposed.
November 1, 2023	<ul style="list-style-type: none"> Extreme's financial results for 1Q2024 reported sequential total revenue losses from \$363.9 million in 4Q2023 to \$353.1 million in 1Q2024, reported sequential product revenue losses from \$261.7 million in 4Q2023 to \$253.5 million in 1Q2024, and provided downward total revenue guidance of \$312 million to \$327 million for 2Q2024. 	The price of Extreme's stock decreased from \$20.62 per share at market close on October 31, 2023, to \$17.86 per share on November 1, 2023, a 13% decline on unusually heavy trading volume	Extreme's revenue decline and prediction of downward total revenue for the following quarter indicated softening growth and demand; Extreme impeded transparency into its backlog, to cover up the fact that declines in backlog

Date of Disclosure(s)	Disclosure(s)	Resultant Decrease in Stock Price	Corrective Disclosure Revelation
	<ul style="list-style-type: none"> Extreme stated that it would discontinue disclosure of its current backlog figure on a quarterly basis and did not report its backlog figure as of 1Q2024. On Extreme’s 1Q2024 Earnings Call, Defendant Rhodes: described Extreme’s downward revenue guidance as reflecting a “more cautious tone” and stated that, “[b]ased on changing customer buying patterns . . . we are tempering our revenue outlook for this quarter and the balance of the year,” which was resultant from an “air pocket” of demand. 	of nearly 10 million shares.	were not converting into product revenue as it previously led the market to believe.
January 8, 2024	<ul style="list-style-type: none"> Extreme’s press release announced lowered revenue guidance for both 2Q2024 and the long term, from \$312–\$327 million to \$294– \$297 million. The press release further stated that Extreme’s 2Q2024 revised outlook “reflects industry headwinds of channel digestion and elongated sales cycles. In late Q2, we saw multiple large deals pushing out to future quarters.” Extreme announces Chief Revenue Officer Joe Vitalone resigned; Defendant Rice became Chief Commercial Officer. 	The price of Extreme’s stock decreased from \$17.52 per share at market close on January 8, 2024, to \$16.23 per share at market close on January 9, 2024, a 7% decline on unusually heavy trading volume of over 4 million shares.	Extreme’s press release expressly warned of issues with its channel, and its guidance cut, as well as its disclosure of elongated sales cycles and deals being pushed out, again indicated softening demand.
January 31, 2024	<ul style="list-style-type: none"> Extreme revealed that its revenues had significantly declined—particularly its product revenues, totaling only \$186.6 million for 2Q2024, compared to \$253.5 million from the prior quarter. This represented a decline of \$66.9 million, or a 26% decline in 	The price of Extreme’s stock decreased from \$16.64 per share at market close January 30, 2024, to \$13.51 per share at market	Extreme’s guidance revealed that its revenues were in decline and the Company was not experiencing growth, contrary to prior representations.

Date of Disclosure(s)	Disclosure(s)	Resultant Decrease in Stock Price	Corrective Disclosure Revelation
	<p>product revenue losses quarter-over-quarter.</p> <ul style="list-style-type: none"> • Extreme issued new guidance for 3Q2024 that revealed that total revenues would be in the range of \$200–\$210 million—a further decline from the \$296.4 million actuals of 2Q2024—and a departure from its previous representations that the Company was on track for mid-teens revenue growth for FY2024. • On Extreme’s 2Q2024 Earnings Call, Defendant Meyercord stated that Extreme made a “conscious decision to put channel digestion behind us in the March quarter [<i>i.e.</i>, the 3Q2024 quarter],” and further stated that Extreme’s “distributors and partners have lowered inventory purchases, which we expect to accelerate in the third quarter,” which would result in “[d]emand . . . be[ing] masked by inventory flowing out of the channel.” • Also on Extreme’s 2Q2024 Earnings Call, Defendant Rhodes stated that the Company’s product revenue decline was attributable to “continued channel digestion and elongated sales cycles,” and that Extreme’s product backlog had already normalized during the quarter, “earlier than we initially anticipated,” and that Extreme expected a “\$40 million to \$50 million reduction in channel inventory in the third quarter” as well as “sell through to be significantly higher than sell-in, which we believe will 	<p>close on January 31, 2024, \$13.22 per share at market close on February 1, 2024, and \$12.59 per share on February 2, 2024, a 24% decline on unusually heavy trading volume.</p>	<p>Defendants also expressly acknowledged “channel digestion” issues and that organic demand had cratered. Extreme also disclosed that it anticipated that sales from its distributor/partners to the end users (<i>i.e.</i>, the “sell-throughs”) will be “significantly” higher than sales from Extreme to the distributor/partner (<i>i.e.</i>, the “sell-ins”), which indicated that there was a surplus of inventory at the distributor/partner level that needed to be sold off, which would in turn result in drastically less revenue for Extreme since less product would be shipped to the distributors and partners.</p>

Date of Disclosure(s)	Disclosure(s)	Resultant Decrease in Stock Price	Corrective Disclosure Revelation
	have a meaningful impact on our operating results.”		

619. It was entirely foreseeable that Defendants’ materially false and misleading statements and omissions and scheme to defraud investors discussed herein would artificially inflate or maintain the existing artificial inflation of the price of Extreme common stock. It was also foreseeable to Defendants that the disclosures described above would cause the price of Company stock to fall as the artificial inflation caused and maintained by Defendants’ misstatements and omissions was removed. Thus, the stock price declines described above were directly and proximately caused by Defendants’ materially false and misleading statements and omissions. Alternatively, loss causation can be demonstrated by the materialization of various risks related to Defendants’ channel stuffing scheme and the true nature of the backlog (*i.e.*, that the product backlog was not firm and would not lead to sustainable revenues).

X. THE INAPPLICABILITY OF THE STATUTORY SAFE HARBOR

620. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the materially false and misleading statements and omissions alleged herein. The statements alleged to be false and misleading herein all relate to then-existing facts and conditions.

621. For example, the quality of Extreme’s backlog was represented in the present-tense, with Defendants claiming, for example, that Extreme’s backlog “*consists of both the end user demand, and so orders for specific deals, specific projects; stadiums, hospitals, schools, et cetera.*” Indeed, Defendants claimed that with respect to the backlog, “[*t*]hese are real projects that we see. And I would say the vast majority of our backlog is related to this kind of end user demand project-based business and we don’t see double ordering,” and also claimed during the Class Period that “[*w*]e have the benefit of a healthy backlog of customer orders with request dates that spread fairly evenly through the end of our fiscal year.” These assertions about Extreme’s backlog concern the present-tense—not the future.

1 622. Similarly, Defendants assertions of revenue growth—which they attributed to
2 “exceptionally strong” organic demand during the Class Period—were also phrased in the present-
3 tense. For example, Defendants claimed that for 4Q2022, “[w]e had another record quarter, as
4 **demand for cloud-driven networking and for Extreme Solutions remains exceptionally strong.**”

5 623. To the extent certain of the statements alleged to be false or misleading may be
6 characterized as forward-looking, they were not identified as “forward-looking statements” when
7 made and there were no meaningful cautionary statements identifying important factors that could
8 cause actual results to differ materially from those in the purportedly forward-looking statements.

9 624. Indeed, even a cursory review of Defendants’ risk disclosures associated with their
10 SEC filings demonstrates that such risk disclosures merely cautioned of risks in vague, hypothetical
11 language. For example, Extreme disclosed that its backlog orders “**could** be cancelled for various
12 reasons,” or that Extreme “**may**” allow customers to cancel “on an **exception** basis”—language that
13 only speaks entirely of as-yet-unrealized risks and contingencies when Defendants had
14 contemporaneous knowledge otherwise. *See supra* Section VIII.

15 625. In the alternative, to the extent that the statutory safe harbor is determined to apply to
16 any forward-looking statements pleaded herein, the Defendants are liable for those false and
17 misleading forward-looking statements because at the time each of those statements were made, the
18 speaker had actual knowledge that the forward-looking statement was materially false or misleading,
19 or the statement was authorized or approved by an executive officer of Extreme who knew that the
20 statement was false when made, and/or the statement omitted material adverse information whose
21 disclosure was necessary to render the statement not misleading.

22 626. None of the historic or present tense statements made by Defendants were assumptions
23 underlying or relating to any plan, projection, or statement of future economic performance, as they
24 were not stated to be such assumptions underlying or relating to any projection or statement of future
25 economic performance when made, nor were any of the projections or forecasts made by Defendants
26 expressly related to, or stated to be dependent on, those historic or present tense statements when
27 made.

28

1 **XI. THE PRESUMPTION OF RELIANCE**

2 627. To the extent that Lead Plaintiffs allege that Defendants made affirmative
3 misstatements, Lead Plaintiffs will rely upon the presumption of reliance established by the fraud-
4 on-the-market doctrine in that, among other things:

5 (a) Defendants made public misrepresentations or failed to disclose material facts
6 during the Class Period;

7 (b) the omissions and misrepresentations were material;

8 (c) Extreme's common stock traded in an efficient market;

9 (d) the misrepresentations and omissions alleged would tend to induce an investor
10 to misjudge the value of Extreme common stock;

11 (e) Plaintiffs and other members of the Class purchased Extreme common stock
12 between the time Defendants misrepresented or omitted facts;

13 (f) Extreme common stock met the requirements for listing, and was listed and
14 actively traded on the NASDAQ, a highly efficient and automated market;

15 (g) Extreme regularly communicated with public investors via established market
16 communication mechanisms, including through regular dissemination of press releases on the
17 national circuits of major newswire services and through other wide-ranging public disclosures, such
18 as communications with the financial press and other similar reporting services;

19 (h) Extreme was followed by securities analysts employed by major brokerage
20 firms who wrote reports, which were distributed to those brokerage firms' sales force and certain
21 customers and that were publicly available and entered the public marketplace; and

22 (i) unexpected material news about Extreme was reflected in and incorporated
23 into the Company's stock price during the Class Period.

24 628. As a result of the foregoing, the market for Extreme common stock promptly digested
25 current information regarding Extreme from publicly available sources and reflected such
26 information in the price of Extreme common stock. All persons and entities who or which purchased
27 or otherwise acquired Extreme common stock during the Class Period suffered similar injuries
28

1 through their purchase of Extreme common stock at artificially inflated prices, and thus, the
2 presumption of reliance applies.

3 629. A class-wide presumption of reliance is also appropriate in this action under the United
4 States Supreme Court holding in *Affiliated Ute Citizens of Utah v. United States*, 406 U.S. 128 (1972),
5 to the extent the claims asserted herein against Defendants are predicated upon omissions of material
6 fact for which there is a duty to disclose.

7 **XII. CLASS ACTION ALLEGATIONS**

8 630. Plaintiffs bring this action as a class action pursuant to Rules 23(a) and 23(b)(3) of the
9 Federal Rules of Civil Procedure on behalf of a Class of all persons and entities who or which
10 purchased or otherwise acquired the publicly traded common stock of Extreme during the period
11 from July 27, 2022 through January 30, 2024, inclusive, and were damaged thereby. Excluded from
12 the Class are: (i) Defendants; (ii) members of the immediate family of any Defendant who is an
13 individual; (iii) any person who was an officer, director or control person of Extreme during the Class
14 Period and their immediate families; (iv) any firm, trust, corporation, or other entity in which any
15 Defendant has or had a controlling or beneficial interest; (v) the subsidiaries and affiliates of Extreme;
16 (vi) Extreme's employee retirement and benefit plan(s), if any, and their participants or beneficiaries,
17 to the extent they made purchases through such plan(s); and (vii) the legal representatives, heirs,
18 successors-in-interest, or assigns of any such excluded person, in their capacities as such.

19 631. The members of the Class are so numerous that joinder of all members is
20 impracticable. The disposition of their claims in a class action will provide substantial benefits to
21 class members. Throughout the Class Period, Extreme's roughly 130 million outstanding shares
22 actively traded on the NASDAQ. While the exact number of Class members is unknown to Lead
23 Plaintiffs at this time and can only be ascertained through appropriate discovery, Lead Plaintiffs
24 believe that there are at least hundreds or thousands of members in the proposed Class. Millions of
25 Extreme shares were traded publicly during the Class Period on the NASDAQ. Record owners and
26 other members of the Class may be identified from records maintained by Extreme or its transfer
27 agent and may be notified of the pendency of this Action by mail, using the form of notice similar to
28 that customarily used in securities class actions.

1 632. Common questions of law and fact exist as to all members of the Class and
2 predominate over any questions solely affecting individual members of the Class. Among the
3 questions of law and fact common to the Class are: (a) whether the federal securities laws were
4 violated by Defendants' acts as alleged herein; (b) whether Defendants omitted and misrepresented
5 material facts; (c) whether Defendants' statements omitted material facts necessary in order to make
6 the statements made, in light of the circumstances under which they were made, not misleading; (d)
7 whether the price of Extreme's securities was artificially inflated; (e) whether Defendants' conduct
8 caused the members of the Class to sustain damages; and (f) the extent of damages sustained by Class
9 members and the appropriate measure of damages.

10 633. Lead Plaintiffs' claims are typical of the claims of the members of the Class as all
11 members of the Class are similarly affected by Defendants' wrongful conduct in violation of federal
12 law that is complained of herein.

13 634. Lead Plaintiffs will fairly and adequately protect the interests of the members of the
14 Class and have retained counsel competent and experienced in class and securities litigation.

15 635. A class action is superior to other available methods for the fair and efficient
16 adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the
17 damages suffered by individual Class members may be relatively small, the expense and burden of
18 individual litigation makes it impossible for members of the Class to individually redress the wrongs
19 done to them. There will be no difficulty in the management of this action as a class action.

20 **XIII. CLAIMS FOR RELIEF UNDER THE EXCHANGE ACT**

21 **COUNT I**

22 **For Violation Of Section 10(b) Of The Exchange Act And**
23 **Rule 10b-5(b) Against Defendants Extreme, Meyercord,**
Thomas, Tate, And Rhodes

24 636. Lead Plaintiffs repeat and reallege each and every allegation contained above as if
25 fully set forth herein.

26 637. This Count is asserted pursuant to Section 10(b) of the Exchange Act, 15 U.S.C. §
27 78j(b), and Rule 10b-5(b) promulgated thereunder by the SEC, 17 C.F.R. § 240.10b-5, on behalf of
28 Plaintiffs and the Class, against the Defendants.

1 638. During the Class Period, Defendant Extreme and Defendants Meyercord, Thomas,
2 Tate, and Rhodes made, disseminated or approved the materially false or misleading statements
3 alleged herein, all of which were about Extreme and its common stock, which they knew or, at
4 minimum, were severely reckless in not knowing, were misleading in that they contained
5 misrepresentations and omitted material facts necessary in order to make the statements made, in
6 light of the circumstances under which they were made, not misleading.

7 639. Defendant Extreme and Defendants Meyercord, Thomas, Tate, and Rhodes violated
8 Section 10(b) of the Exchange Act and Rule 10b-5 in that they made untrue statements of material
9 fact and/or disseminated and/or approved and/or omitted to state material facts necessary to make the
10 false or misleading statements specified above not misleading.

11 640. During the Class Period, Defendant Extreme and Defendants Meyercord, Thomas,
12 Tate, and Rhodes individually and in concert, directly and indirectly, by the use, means, or
13 instrumentalities of interstate commerce and/or of the mails made various untrue and/or misleading
14 statements of material facts and omitted to state material facts necessary in order to make the
15 statements made, in light of the circumstances under which they were made, not misleading, and
16 made the above statements and omissions intentionally or with severe recklessness.

17 641. Defendant Extreme is liable for all materially false or misleading statements made
18 during the Class Period, as alleged above.

19 642. Defendants Meyercord, Thomas, Tate, and Rhodes are liable for the false or
20 misleading statements they made and for which they were responsible, as alleged above.

21 643. As alleged above, Defendants Extreme, Meyercord, Thomas, Tate, and Rhodes acted
22 with scienter throughout the Class Period, in that they acted either with intent to deceive, manipulate,
23 or defraud, or with reckless disregard for the truth. The material misrepresentations and omissions of
24 material facts alleged herein, which presented a danger of misleading buyers and sellers of Extreme
25 common stock, were either known to Defendants Extreme, Meyercord, Thomas, Tate, or Rhodes or
26 were so obvious that the Defendants should have been aware of them.

27 644. The above allegations, as well as the allegations pertaining to the overall scope and
28 breadth of the fraud at Extreme, establish a strong inference that Defendants Extreme, Meyercord,

1 Thomas, Tate, and Rhodes acted with scienter in making the materially false or misleading statements
2 alleged above during the Class Period.

3 645. Lead Plaintiffs and the Class have suffered damages in that, in reliance on the integrity
4 of the market, they purchased Extreme common stock and were harmed when the truth about Extreme
5 negatively impacted the price of those securities. Lead Plaintiffs and the Class would not have
6 purchased Extreme common stock at the prices they paid, or at all, had they been aware of the truth
7 about Extreme.

8 646. As a direct and proximate result of Defendant Extreme's, Meyercord's, Thomas's,
9 Tate's, and Rhode's wrongful conduct, Lead Plaintiffs and other members of the Class suffered harm
10 in connection with their respective purchases of the Company's common stock during the Class
11 Period.

12 **COUNT II**

13 **For Violations Of Section 10(b) Of The Exchange Act And**
14 **SEC Rule 10b-5(a) And (c) Against All Defendants**

15 647. Lead Plaintiffs repeat and reallege each and every allegation contained above as if
16 fully set forth herein.

17 648. This Count is asserted pursuant to Section 10(b) of the Exchange Act, 15 U.S.C. §
18 78j(b), and Rule 10b-5(a) and (c) promulgated thereunder by the SEC, 17 C.F.R. § 240.10b-5(a) and
19 (c), on behalf of Lead Plaintiffs and the Class, against all Defendants.

20 649. Defendant Extreme and the Individual Defendants violated Section 10(b) of the
21 Exchange Act and Rule 10b-5(a) and (c) in that they: (1) employed devices, schemes, and artifices to
22 defraud; and (2) engaged in acts, practices, and a course of business that operated as a fraud and
23 deceit upon Lead Plaintiffs and others similarly situated in connection with their purchases of
24 Extreme common stock during the Class Period in an effort to maintain artificially high market prices
25 for Extreme common stock.

26 650. Defendant Extreme and the Individual Defendants individually and in concert, directly
27 and indirectly, by the use, means, or instrumentalities of interstate commerce and/or of the mails,
28 employed devices, schemes, and artifices to defraud and engaged and participated in a continuous

1 course of conduct that operated as a fraud and deceit upon Lead Plaintiffs and the Class in connection
2 with the purchase and sale of Extreme common stock; which did: (i) deceive the investing public,
3 including Lead Plaintiffs and the Class, regarding, among other things, Extreme’s undisclosed
4 channel stuffing and manipulative sales and inventory tactics; (ii) artificially inflate and maintain the
5 market price of Extreme common stock; and (iii) cause Lead Plaintiffs and other members of the
6 Class to purchase Extreme common stock at artificially inflated prices and suffer losses when the true
7 facts became known.

8 651. As part of their scheme to defraud investors in violation of Rule 10b-5(a) and (c), the
9 Defendants engaged in the fraudulent scheme to inflate revenues in the short term and for the present
10 fiscal quarter, at the expense of future fiscal quarters, by: (i) stuffing its product channel with outdated
11 and unwanted product by forcing those distributors to buy such product if they wanted to be
12 prioritized and receive inventory from Extreme’s backlog line; (ii) stuffing its product channel with
13 outdated and unwanted inventory at the distributor/partner level in exchange for incentives such as
14 discounts, monetary rebates, with a right to return such unwanted product in future quarters after
15 revenues were already reported for the fiscal quarter/year; (iii) shipping inventory to partners early,
16 without a confirmed end user purchase order, in order to “pull in” sales and revenues for the quarter;
17 (iv) incentivizing distributors to take unwanted and unneeded inventory by encouraging the use of a
18 liberal right to return and stock distribution rotation agreements for future quarters; (v) reneging on
19 those same stock distribution rotation agreements, which forced the distributors to hold the unwanted
20 product; (vi) manipulating the Company’s revenue figures and forecasts by including multi-million
21 dollar orders that Extreme knew it had lost out on to competitors or were improperly double
22 counted—without correction—until the quarter was over; and (vii) misrepresenting the nature of
23 Extreme’s backlog as “firm” and revenue-generating, when in reality, the backlog did not represent
24 nor reflect firm commitments from Extreme’s customers.

25 652. Indeed, Defendants’ specific channel stuffing scheme was a multi-layered and
26 Company-wide enterprise which, as discussed above *supra* Section IV.C, included (but was not
27 limited to) the following key events: (i) on March 16, 2022, Defendant Brown held a meeting
28 whereby Extreme enacted its scheme to “blow up FIFO” prioritization of the backlog—at the

1 direction of the ELT, including Defendant Meyercord—in order to utilize Extreme’s backlog as
2 leverage to force distributors to purchase un-wanted, un-demanded, and outdated product that
3 Extreme had in its inventory, so Defendants can generate immediately reportable product revenues;
4 (ii) on April 7, 2022, Extreme’s plan to blow up FIFO got “legs” from Director of Purchasing Fiona
5 Nolan, who was responsible for allocating shipments to distributors, and who agreed with Defendant
6 Brown on getting rid of FIFO with respect to the allocation of shipments to distributors; (iii) sometime
7 in March/April 2022, Extreme made a deal with Westcon whereby Westcon agreed to buy unneeded
8 and “end of sale” stock of \$52 million, and the transaction was closed and recorded for the following
9 quarter—*i.e.*, 4Q2022/FY2022; and (iv) Defendants—including, most notably, Defendant
10 Meyercord—made millions of dollars of executive compensation during the Class Period through
11 bonuses which were specifically tied to the amount of product revenues that were generated as a
12 result of the channel stuffing scheme implemented.

13 653. These deceptive acts were part of a course of conduct that operated as a fraud and
14 deceit upon Lead Plaintiffs and others similarly situated in connection with their purchases of
15 Extreme common stock during the Class Period in an effort to maintain artificially high market prices
16 for Extreme common stock.

17 654. As described above, Defendant Extreme, and the Individual Defendants acted with
18 scienter throughout the Class Period, in that they either had actual knowledge of the
19 misrepresentations or omissions of material facts set forth herein, or acted with reckless disregard for
20 the truth in that they failed to ascertain and to disclose the true facts, even though such facts were
21 available to them. Defendant Extreme and the Individual Defendants engaged in this misconduct to
22 conceal Extreme’s true condition from the investing public and to support the artificially inflated
23 prices of the Company’s common stock.

24 655. Lead Plaintiffs and the Class have suffered damages in that, in direct reliance on the
25 integrity of the market, they paid artificially inflated prices for Extreme common stock, which
26 artificial inflation was removed from the stock when true facts became known. Lead Plaintiffs and
27 the Class would not have purchased Extreme common stock at the prices they paid, or at all, had they
28

1 been aware that the market prices for Extreme common stock had been artificially inflated by
2 Defendants' fraudulent course of conduct.

3 656. As a direct and proximate result of Defendants' wrongful conduct, Lead Plaintiffs and
4 the other members of the Class suffered damages attributable to the fraud alleged herein in connection
5 with their respective purchases of the Company's common stock during the Class Period.

6 657. By virtue of the foregoing, Extreme violated Section 10(b) of the Exchange Act and
7 Rule 10b-5(a) and (c), promulgated thereunder.

8 **COUNT III**

9 **For Violation Of Section 20(a) Of The Exchange Act Against**
10 **Defendants Meyercord, Thomas, Tate, Rhodes, And Rice**

11 658. Lead Plaintiffs repeat and reallege each and every allegation contained above as if
12 fully set forth herein.

13 659. This Count is asserted pursuant to Section 20(a) of the Exchange Act, 15 U.S.C. §
14 78t(a), on behalf of Lead Plaintiffs and the Class, against Defendants Meyercord, Thomas, Tate,
15 Rhodes, and Rice (the "Control Person Defendants").

16 660. As set forth above, each of the Control Person Defendants were controlling persons of
17 the Company within the meaning of Section 20(a) of the Exchange Act. The Control Person
18 Defendants acted as controlling persons of Extreme within the meaning of Section 20(a) of the
19 Exchange Act by virtue of their executive positions and their culpable participation, as alleged above.
20 The Control Person Defendants had the power to influence and control and did, directly or indirectly,
21 influence and control the decision making of the Company, including the content and dissemination
22 of the various statements that Plaintiffs contend were false and misleading, as well as the fraudulent
23 course of conduct and scheme alleged herein. The Control Person Defendants were provided with or
24 had unlimited access to the Company's internal reports, press releases, public filings, and other
25 statements alleged by Lead Plaintiffs to be misleading prior to or shortly after these statements were
26 issued, and had the ability to prevent the issuance of the statements or cause them to be corrected.

27 661. In particular, the Control Person Defendants had direct involvement in and
28 responsibility over the day-to-day operations of the Company, and/or intimate knowledge of the

1 Company's actual performance and had the power and ability to control public statements about
2 Extreme and the actions of Extreme and its employees. The Control Person Defendants were each
3 directly involved in providing false information and certifying and/or approving the materially false
4 or misleading statements disseminated by Extreme during the Class Period. Moreover, each of the
5 Control Person Defendants were directly involved in or orchestrated the undisclosed fraudulent
6 scheme alleged herein. As a result of the foregoing, the Control Person Defendants each were
7 controlling persons of Extreme within the meaning of Section 20(a) of the Exchange Act.

8 662. As alleged above, Extreme violated Section 10(b) of the Exchange Act by its material
9 misrepresentations and omissions, and undisclosed fraudulent scheme, as alleged in this Complaint.
10 By virtue of their positions as controlling persons of Extreme and as a result of their own
11 aforementioned conduct, the Control Person Defendants are each liable pursuant to Section 20(a) of
12 the Exchange Act, jointly and severally with, and to the same extent as, the Company is liable under
13 Section 10(b) of the Exchange Act of Rule 10b-5 promulgated thereunder, to Lead Plaintiffs and the
14 other members of the Class who purchased or otherwise acquired Extreme common stock. Moreover,
15 as alleged above, during the respective times that the Control Person Defendants served as officers
16 or high-level executives of Extreme or spoke directly to Extreme investors during analyst conference
17 calls, each of the Control Person Defendants culpably participated in the material misstatements and
18 omissions made by Extreme, as set forth above.

19 663. As a direct and proximate result of the wrongful conduct by the Control Person
20 Defendants, Lead Plaintiffs and the other members of the Class suffered damages in connection with
21 their purchases or acquisitions of Extreme common stock during the Class Period.

22 **XIV. PRAYER FOR RELIEF**

23 WHEREFORE, Lead Plaintiffs pray for judgment as follows:

24 (a) Determining that this action is a proper class action, certifying Lead Plaintiffs
25 as class representatives under Rule 23 of the Federal Rules of Civil Procedure, and appointing Lead
26 Plaintiffs' counsel as Lead Counsel for the Class;

27 (b) Awarding Lead Plaintiffs and the Class compensatory damages and equitable
28 relief, including all damages and relief provided for under the Exchange Act and the Securities Act,

1 against all Defendants, jointly and severally, for all damages sustained as a result of Defendants'
2 wrongful conduct, in an amount to be proven at trial, including interest thereon;

3 (c) Awarding Lead Plaintiffs and the Class their reasonable costs and expenses
4 incurred in this action, including counsel fees and expert fees; and

5 (d) Awarding such equitable/injunctive or other relief as deemed appropriate by
6 the Court.

7 **XV. JURY DEMAND**

8 664. Pursuant to Rule 38(b) of the Federal Rules of Civil Procedure, Lead Plaintiffs demand
9 a trial by jury of all issues so triable.

10 Dated: September 9, 2025

11 **LABATON KELLER SUCHAROW LLP**

12 */s/ Lauren A. Ormsbee*

13 *Lauren A. Ormsbee (pro hac vice)*

14 *David Saldamando (pro hac vice)*

15 *Danielle S. Lazarus (pro hac vice)*

16 *Alexandra E. Forgione (pro hac vice)*

17 140 Broadway

18 New York, NY 10005

19 Tel: (212) 907-0700

20 Fax: (212) 818-0477

21 *lormsbee@labaton.com*

22 *dsaldamando@labaton.com*

23 *dlazarus@labaton.com*

24 *aforgione@labaton.com*

25 *Counsel for Lead Plaintiffs and*

26 *Lead Counsel for the Class*

27 **HAGENS BERMAN SOBOL SHAPIRO LLP**

28 Lucas E. Gilmore (Bar No. 250893)

Lucas E. Gilmore (Bar No. 250893)

715 Hearst Avenue, Suite 300

Berkeley, CA 94710

Tel: (510) 725-3000

Fax: (510) 725-3001

lucasg@hbsslaw.com

reed@hbsslaw.com

Liaison Counsel for the Class

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VANOVERBEKE MICHAUD & TIMMONY P.C.

Aaron L. Castle (*pro hac vice*)

79 Alfred Street

Detroit, MI 48201

Tel: (313) 578-1200

Fax: (313) 578-1201

acastle@vmtlaw.com

*Additional Counsel for Oakland County Voluntary
Employees' Beneficiary and Oakland County
Employees' Retirement System*