

JUNIPER NETWORKS INC

FORM 10-K (Annual Report)

Filed 03/27/01 for the Period Ending 12/31/00

Address	1133 INNOVATION WAY SUNNYVALE, CA 94089
Telephone	4087452000
CIK	0001043604
Symbol	JNPR
SIC Code	3576 - Computer Communications Equipment
Industry	Communications Equipment
Sector	Technology
Fiscal Year	12/31

JUNIPER NETWORKS INC

FORM 10-K (Annual Report)

Filed 3/27/2001 For Period Ending 12/31/2000

Address	1194 NORTH MATHILDA AVE SUNNYVALE, California 94089
Telephone	650-526-8000
CIK	0001043604
Industry	Communications Equipment
Sector	Technology
Fiscal Year	12/31

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549 **FORM 10-K**

(MARK ONE)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934**

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000 OR

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER 0-26339

JUNIPER NETWORKS, INC.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE
(STATE OR OTHER JURISDICTION OF
INCORPORATION OR ORGANIZATION)

77-0422528
(I.R.S. EMPLOYER IDENTIFICATION NO.)

1194 NORTH MATHILDA AVENUE, SUNNYVALE, CA
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

94089
(ZIP CODE)

(408) 745-2000
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS -----	NAME OF EACH EXCHANGE ON WHICH REGISTERED -----
NONE	NONE

SECURITIES REGISTERED PURSUANT TO SECTION 12 (g) OF THE ACT:

COMMON STOCK, \$.00001 PAR VALUE
(TITLE OF CLASS)

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

Indicate by check mark if disclosure of delinquent filers pursuant to

Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of the Form 10-K or any amendment to this Form 10-K. ☐

As of March 12, 2001, there were 319,643,790 shares of the Registrant's Common Stock outstanding. The aggregate market value of the Common Stock held by non-affiliates of the Registrant (based on the closing price for the Common Stock on the Nasdaq National Market on March 12, 2001) was approximately \$13,530,869,740.

DOCUMENTS INCORPORATED BY REFERENCE

The information called for by Part III is incorporated by reference to specified portions of the Registrant's definitive Proxy Statement to be

issued in conjunction with the Registrant's 2001 Annual Meeting of Stockholders, which is expected to be filed not later than 120 days after the Registrant's fiscal year ended December 31, 2000.

JUNIPER NETWORKS, INC.
ANNUAL REPORT ON FORM 10-K

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PART I

ITEM 1 BUSINESS

OVERVIEW

We are a leading provider of purpose-built Internet infrastructure solutions that meet the scalability, performance, density and compatibility requirements of rapidly evolving, optically-enabled Internet Protocol (IP) networks. Unlike conventional routers, originally developed for enterprise applications and increasingly inadequate for service provider use in public networks, our products are specifically designed, or purpose-built, for service provider networks and to accommodate the size and scope of the Internet. Our next generation Internet backbone routers offer our customers increased reliability, performance, scalability, interoperability and flexibility, and reduced complexity and cost compared to current alternatives. Our products combine high performance ASIC-based packet forwarding technology, the features of our JUNOS Internet software and an Internet-optimized architecture into a purpose-built solution for the service provider market.

INDUSTRY BACKGROUND

The Internet has evolved from an academic research project into a network of hundreds of separately administered, public and private networks interconnected using IP. IP traffic is growing exponentially, driven by increasing numbers of new users, connected devices and Internet transactions. The result of the widespread use of IP is a ubiquitous network that today carries a large and growing amount of data traffic enabling millions of users to share information and conduct electronic commerce. Industry research firms forecast continued dramatic growth worldwide in the Internet and Internet traffic. The importance of IP continues to increase as the number of users, connected devices and transactions over the Internet grows.

The rapid adoption of the Internet and the tremendous growth of IP traffic have prompted service providers to construct large scale data networks. These networks are being optimized to transport data traffic as compared to traditional telephone networks, which were optimized to transport voice traffic. The architecture of these next generation networks is being driven by two key technologies: packet/cell switching and optical networking.

Advantages of Packet/Cell Switching. Packet/cell switching technology, which divides data traffic into distinct units called packets or cells and routes each packet or cell independently, provides superior use of available network capacity compared to traditional circuit switching technology. In a circuit switched network, each data stream, such as a voice telephone call between two points, is provided with a dedicated channel, or circuit, for the duration of the telephone call. This approach leads to inefficient use of network resources because a channel is fully dedicated to each transaction, whether or not data is actually flowing at any given moment. As a result, a circuit switched architecture is highly inefficient for Internet applications which tend to create large bursts of data traffic followed by long periods of silence. Packet/cell switching architectures enable greater utilization out of a fixed capacity circuit by combining traffic that has different capacity demands of the circuit at different times. Packet/cell switches more efficiently fill the available network bandwidth with packets of data from many users, thereby reducing the wasted bandwidth due to silence from any one particular user. The use of packet/cell switching is driving the architecture of the Internet to be fundamentally different from traditional circuit switched voice based networks. In packet/cell switched networks, IP has emerged as the de facto standard for providing services to end users. Primary packet/cell switching products include frame relay switches, ATM switches and routers.

Rapid Advances in Optical Networking. Optical networking technology uses pulses of light, rather than pulses of electricity, to transmit data in a network, and uses fiber optic connections instead of wires. Optical networking can be used to transmit much more information over a given connection than electrical signals can convey. Optical networking advances, such as dense wavelength division multiplexing, or DWDM, which allows transmission of several frequencies of light over one strand of optical fiber, have enabled still higher data transmission rates and improved efficiency of bandwidth utilization.

Packet/Cell Technologies Have Not Kept Up With Optical Technologies. Many service providers are installing DWDM equipment and are increasingly focusing on combining IP and optical networking technologies. However, traditional packet switching equipment is not capable of forwarding packets at rates sufficient to keep pace with optical transmission speeds.

As affordable fiber optic transmission capacity becomes widely available, the performance and complexity of current packet/cell switching architectures is increasingly constraining the growth of the Internet.

FUNDAMENTAL REQUIREMENTS FOR THE INTERNET

The reliability and performance of current Internet infrastructure equipment have become and continue to be critical issues for service providers as they support dramatic growth in IP traffic and increasingly seek to offer new revenue generating, mission-critical and other services. The need for high reliability, high performance, high performance under stressful conditions, scalability, interoperability and cost effectiveness are fundamental requirements in meeting the needs associated with the growth in IP traffic. New requirements will continue to arise for next generation networks which will drive a set of new requirements for Internet infrastructure equipment.

High Reliability. As businesses and consumers increasingly rely on the Internet for mission-critical applications, high network reliability becomes essential. Service providers are increasingly expected to provide a similar degree of reliability on the Internet that users have become accustomed to on the traditional telephone network. The "five nines" (99.999%) reliability standard of the traditional telephone network is becoming the target to which suppliers of next-generation Internet platforms are being compared. As service providers begin to bundle voice and data on their networks, this high degree of reliability is becoming even more critical.

High Performance. To handle the rapid growth in IP traffic, today's networks increasingly require routers that can operate at higher speeds. The processing of data packets at these high speeds requires sophisticated forwarding technology to inspect each packet and assign it to a destination based on priority, data type and other considerations. Since a large number of IP packets, many of which perform critical administrative functions, are small in size, high performance Internet routers need to achieve their specified transmission speeds even for small packet sizes. Since smaller packets increase packet processing demands, routing large numbers of smaller packets tends to be more resource intensive than routing of larger packets. A wire speed router, which achieves its specified transmission rate for any type of traffic passing through it, can accomplish this task. Thus, provisioning of mission-critical services increasingly requires the high performance enabled by wire speed processing.

High Performance Under Stressful Conditions. In a large and complex network, individual components inevitably fail. However, the failure of an individual device or link must not compromise the network as a whole. In a typical network, when a failure occurs, the network loses some degree of capacity and, in turn, a greater load falls on the remaining network routers, which must provide alternate routes. Routers must quickly adjust to the new state of the network to maintain packet forwarding rates and avoid dropping significant numbers of packets when active routes are lost or when large numbers of routes change. Routing protocols are used to accomplish this convergence, a process that places even greater stress on the router. Given the complexity of Internet infrastructure, particularly compared to enterprise networks, the convergence process is far more complex and places a far greater load on the routing software, thereby requiring a much more sophisticated device.

Scalability. Due to the rapid growth in Internet users and IP traffic, service providers must continuously expand their networks, both in terms of increased numbers of access points of presence (PoPs), and also greater capacity per PoP. To facilitate this expansion process, Internet infrastructure equipment must be highly scalable. Next generation routers therefore need to be upgradeable and configurable to function within constantly changing networks while incurring minimal downtime.

Interoperability. Service providers do not have the time or inclination to change their existing networks to favor introduction of new products; rather, new products must be compatible with the existing environment. Given the open and inter-connected nature of the Internet, the complexity of running an Internet backbone network requires a service provider to control and police relations with other service providers. For example, service providers must carefully control what traffic is accepted under what conditions from other providers. The software in each router must offer 100% compatibility with the interior protocols and standards used within each service provider's backbone network. The compatibility level must be maintained despite changes to software equipment configuration and network architecture and upgrades to the various protocol standards. Thus, routing software must be flexible and quickly upgradeable to support any necessary revisions. This level of compatibility, in turn, cannot impact the performance, scalability or reliability of the equipment. Attaining this sophisticated level of interoperability is highly challenging and requires significant testing to ensure compatibility.

Cost Effectiveness. Exponential growth in IP traffic and intense price competition in the telecommunications market is increasingly requiring service providers to seek solutions that significantly reduce the capital expenditures required to build and operate their networks. In addition to the basic cost of equipment such as routers, service providers incur substantial ancillary costs in terms of space required to deploy the equipment, power consumption and on-going operations and maintenance. Service providers therefore want to deploy dense and varied equipment configurations in limited amounts of rack and floor space. Therefore, in order to continue to scale their networks toward higher data speeds in a cost effective manner, service providers need the ability to mix and match easily many different speed connections at appropriate densities, without significantly increasing the consumption of space or power.

There is a clear need for next generation routers that can support high speeds and offer new IP-based services. Network operators are eagerly seeking new solutions that increase the level of scalability and reliability within their networks and reduce the cost of their architectures.

THE JUNIPER NETWORKS SOLUTION

We developed, marketed and sold the first commercially available purpose-built Internet backbone router optimized for the specific high performance needs of service providers. As the need for core bandwidth continued to increase, the need for service rich platforms at the edge of the network was created. Our products are designed to address the needs at the core and at the edge of the network by combining the features of high-performance ASIC-based packet forwarding technology, our JUNOS Internet software and an Internet-optimized architecture.

Our product platforms share common software and services, and common ASIC technology for full compatibility and scalability. Critical service provider applications including high-speed access, peering, and hosting are served by our platforms. Physical interfaces are interchangeable between platforms, increasing user flexibility and allowing common sparing. Our solution provides several key benefits to our customers: carrier class reliability, wire speed performance, scalability, interoperability, flexibility, reduced complexity and cost effectiveness.

JUNOS Internet Software. Our Internet software, called JUNOS, is designed to meet the IP network routing, operations and control requirements of the world's largest service providers and is an integral embedded component of our product family system architecture. The ability of JUNOS to manage the complex network sharing relationships among service providers allows our products to be placed at critical points in the core of a service provider's network. The JUNOS Internet software allows our products to have widespread network placement due to its interoperability with Cisco's Internetwork Operating System, or IOS, currently the most broadly deployed routing operating system.

Unconstrained by legacy routing software, we developed JUNOS using a modular design, in which distinct functions are implemented as separate modules with well defined interfaces and interactions, simplifying troubleshooting and maintenance. JUNOS operates in protected memory mode. These features keep functionality distinct, and minimize the impact of any failure that may occur to the specific software application in which the failure occurs. Also, we believe JUNOS' software modularity will enable the continuous upgrade of new enhanced capabilities, while protecting reliability and compatibility with existing networks.

High Performance ASIC-based Packet Forwarding Technology. Our products utilize high performance ASIC-based technology. The result is a platform that is substantially faster than today's general purpose microprocessor based routers in its ability to process and forward IP packets, allowing our products to deliver high performance at wire speed. The ability to enhance and implement large scale ASICs will be a long-term differentiator for us, particularly as the sophistication required to forward traffic across higher speed networks increases. We expect to continue to leverage our existing ASIC technology in future products and continue to capitalize on our advanced ASIC design capabilities.

Internet Optimized Architecture. As purpose-built Internet backbone routers, our products employ an architecture designed exclusively for the Internet. The system architecture provides a clean separation between the routing and packet-forwarding functions. Separating these two functions enables us to develop independently a full-featured routing protocol and traffic engineering functionality through our JUNOS Internet software and wire speed packet forwarding performance through high performance ASICs. Furthermore, with the routing and forwarding functions segregated, the products do not sacrifice performance, even when there is a failure in the network. When a failure occurs, JUNOS detects the failure and is

able to quickly converge to the new state of the network while the ASICs continue to forward packets at wire speed until they receive updated routes from JUNOS.

THE JUNIPER NETWORKS STRATEGY

Our objective is to become the primary supplier of high performance Internet backbone infrastructure. The key elements of our strategy are described below.

Maintain and Extend Technology Leadership. Our ASIC technology, JUNOS Internet software and Internet-optimized architecture have been key elements to establishing our technology leadership. We believe that these elements are highly leverageable into future products we are currently developing. We intend to maintain and extend our technological leadership in the Internet infrastructure market through continued significant investment to enhance the feature richness of our products and to develop future differentiated offerings for service providers.

Leverage Early Lead as Supplier of Purpose-Built Internet Infrastructure. From inception we have focused solely on designing and building Internet infrastructure for service providers. We have integrated purpose-built software and hardware into an Internet optimized architecture that specifically meets service providers' needs and have seen significantly positive initial responses from our existing and potential customers. We believe that many of these customers will deploy Internet backbone infrastructure equipment from only a few vendors. The purpose-built advantages of our products provide us with a time-to-market lead, which is a critical advantage in gaining rapid penetration as one of these selected vendors. Once our products are widely deployed in a service provider's network as the primary or even secondary Internet backbone infrastructure equipment, we believe we create a significant barrier to entry to potential competitors who do not currently offer commercially-viable next generation routing solutions.

Work Very Closely with Key Customers. In developing our products, including our JUNOS Internet software, we worked very closely with customers to design and build a product specifically to meet their complex needs. Since JUNOS has been available and used by our customers for over two years, we understand clearly the challenges facing these carriers, enabling us to subsequently design additional features and capabilities into both our software and hardware. We believe our close relationships with, and constant feedback from, our customers have been key elements in our design wins and rapid deployment to date. We plan to continue to work very closely with our key customers to implement enhancements to current products as well as to design future products that specifically meet their evolving needs. We are also actively involved with these customers in developing key standards, such as MPLS, and are an active participant in standards organizations such as the Internet Engineering Task Force and the Optical Internetworking Forum.

Increase Penetration at Major Service Providers. Our initial focus has been to penetrate several of the largest service providers, where operators have the technical sophistication, resources and desire to test and evaluate our solution against potential alternatives. We believe that there is a significant opportunity to further penetrate these large and complex networks given the advantages of our products. As the growth of the Internet requires these major service providers to continue to build their networks and replace outdated equipment, we will pursue further opportunities to capture greater market share within these large accounts.

Leverage Early Successes to Penetrate New Customers Rapidly. We believe that the Internet infrastructure equipment buying patterns of the medium and smaller-sized service providers typically lag behind those of the larger service providers. Since the network challenges that the large service providers face today are likely to be the problems encountered by smaller service providers in the near future, we believe smaller service providers are likely to deploy equipment similar to larger service providers. Furthermore, smaller service providers often lack the technical resources to thoroughly test different vendors' products. Therefore, they typically piggyback on larger service providers' evaluation efforts by purchasing the same platforms deployed by the larger service providers. Since we have begun to sell to several of the largest service providers, we intend to leverage this success by allocating our marketing efforts towards a greater number of medium and smaller-sized service providers.

Enable New IP-based Services. Our platform enables service providers to build networks cost effectively and to offer new differentiated services for their customers more efficiently than conventional products. While we believe that current service providers are likely to be the largest and most successful IP network operators in the near term, many new service providers are likely to emerge oriented around the delivery of IP-based services. These services, which include web hosting, outsourced Internet and intranet services, VPNs, outsourced enterprise applications and voice-over IP, are cost-effectively enabled by our Internet infrastructure platform. Although the market for our products today is driven primarily by the need for traditional Internet network capacity, as other IP-based services and applications continue to grow in importance, the total potential market for our products will continue to grow commensurately.

TECHNOLOGY

Our core technology consists of our Internet backbone router architecture, JUNOS Internet software and ASIC hardware expertise. Our general-purpose architecture was initially embodied in the M40, but also is designed to serve as the platform for our M20, M160, M5, M10 and for future generations of products.

PRODUCT ARCHITECTURE

The architecture of our products is exemplified by the M40. The M40 architecture delivers the forwarding rates and network control necessary to scale Internet backbones rapidly and reliably. The M40 system includes a Routing Engine, or RE, and a Packet Forwarding Engine, or PFE. The clean separation of the routing and forwarding functions ensures that the two functions do not compete for the same resources.

The Routing Engine. The RE consists of the JUNOS Internet software operating on an Intel-based platform. The JUNOS Internet software features Internet-scale protocol support, with flexible policy software that enables maximum control over the acceptance, modification and advertisement of route prefixes. In addition, the JUNOS Internet software offers a range of configuration management tools that simplify the configuration process and help protect against operator error. The RE conducts the processing intensive activity of maintaining the routing table, from which the forwarding table residing in the PFE is derived. The RE is connected to the PFE through a dedicated 100 Mbps link. After constructing or updating the forwarding table, the RE downloads a copy of the table to the PFE. Updates to the forwarding table are done atomically in small incremental steps so that packet forwarding is not interrupted by routing changes.

The Packet Forwarding Engine. The M40 delivers wire speed packet forwarding using our ASIC designs. All links between ASICs are oversized, dedicated channels, and the PFE architecture is free from the bottlenecks faced by traditional crossbar switches, which use intelligent agent software to perform both routing and forwarding functions over multiple connections to either parts of the network. Bottlenecks can occur in a crossbar switch because the routing and forwarding functions are not separated. The heart of the PFE is the Internet Processor ASIC.

All lookup rates reflect longest-match route table lookups for all packets and all lookups are performed in hardware. There is no caching mechanism, which is a mechanism by which critical information, such as destinations for traffic, is stored in rapidly accessible memory to make the process of looking up traffic destinations faster. In addition there is no risk of cache misses in the system which can result in slower storage access and thus considerably slower traffic delivery. In addition, the forwarding table can be updated without affecting forwarding rates. The Internet Processor is programmable to support up to four different forwarding tables (layer 2 and/or layer 3) simultaneously. Supported forwarding protocols currently include unicast and multicast IPv4 and MPLS. Finally, the Internet Processor maintains its performance regardless of length of lookups or table size.

The PFE also features a shared memory system with single-stage buffering, so packets are written to and read from memory only once. Single-stage buffering greatly reduces the complexities and throughput delays associated with multistage buffering systems. The pooled memory is distributed across the Flexible PIC Concentrator, or FPC, cards, allowing memory to scale as interfaces are added. The Internet Processor also features prefix accounting mechanisms that operate at rates in excess of 20 Mpps.

JUNOS INTERNET SOFTWARE: TRAFFIC ENGINEERING AND CONTROL

JUNOS Internet software offers a full suite of Internet-scale, Internet-tested routing protocols. Protocols and software tools, which are used to control and direct network traffic, are critical to an Internet backbone routing solution. Software control is made more important by the fact that the size and complexity of backbone networks are increasing at a time when service providers are looking to differentiate themselves through value-added service offerings.

JUNOS Internet software features implementations of all major Internet protocols, including BGP4, DVMRP, PIM, IS-IS, Open Shortest Path First. IS-IS and Open Shortest Path First are algorithms broadly used in enterprise networks and by service providers to determine and update the running state of the network and available destinations in the network. These implementations were developed in-house by our design team which has extensive experience in addressing the scaling issues of rapidly growing service providers.

JUNOS Internet software also provides a new level of traffic engineering capabilities with its implementation of MPLS. Developed in conjunction with the Internet Engineering Task Force, our MPLS capability offers enhanced visibility into traffic patterns and the ability to control the path traffic takes through the network. Path selection enables service providers to engineer traffic for efficient use of network capacity and avoidance of congestion. We expect MPLS and its traffic engineering capabilities to become a crucial tool for service providers as they scale their networks.

JUNOS Internet software features a modular design, with separate programs running in protected memory space in conjunction with an independent operating system. Unlike monolithic, unprotected operating system designs, which are prone to system wide failure, the protected, modular approach improves reliability by ensuring that modifications made to one module have no unwanted side-effects on other sections of the software. In addition, having clean software interfaces between modules facilitates software development and maintenance, enabling faster response to customer needs and delivery of new features.

JUNOS Internet software has been extensively tested in multiple service provider networks to ensure compatibility with Cisco's IOS. Since each major service provider's network is different, this extensive testing is necessary to ensure seamless introduction into existing service provider environments.

CUSTOMERS

Our customers include end users, value added resellers and an original equipment manufacturer. We recognize revenue from the shipment of products at the time of shipment unless we have future obligations for network interoperability or if we have to obtain customer acceptance. In those cases, we defer recognition of the revenue and related costs until we have met our obligations.

One customer, WorldCom, Inc., accounted for approximately 18% of our recognized revenues for the year ended December 31, 2000.

SALES AND MARKETING

We sell and market our products primarily through our direct sales organization, value-added resellers and an original equipment manufacturer.

Direct Sales. Our North American direct sales organization is divided into regional operations with our direct sales efforts focused on the largest service providers. The direct sales account managers cover the market on an assigned account basis and work as a team with account oriented systems engineers. They are directed by a regional operations manager who reports to the North American Vice President of Sales. We also have technical

engineers that consult with and provide our customers with guidance and assistance on the evolution of their networks as it relates to the deployment of our products. These consulting engineers also help in defining the features that are required for our products to be successful in specific applications. A key feature of our sales effort is the relationship we establish at various levels in our customers' organization. Our sales team maintains contact with key individuals who have service planning and infrastructure buildout responsibility.

Value Added Resellers. We have complemented our direct sales effort in the United States through the addition of several highly focused value added resellers. Our arrangements with value added resellers typically have been non-exclusive and provide the value added reseller with discounts based upon the volume of their orders.

Original Equipment Manufacturer Partner. We have established a strategic distribution relationship with Ericsson. We believe that Ericsson has significant customer relationships in place and offers products which complement ours. Ericsson will provide the first level of support to its customers. Our agreement with Ericsson allows it to distribute our products on a worldwide, non-exclusive basis with discounts based upon the volume of orders it receives.

International Resellers. In order to further our international sales objectives, we have established a number of country specific value added resellers. These resellers have expertise in deploying complex Internet infrastructure equipment in their respective markets and provide the first level of support required by our international customers. In addition, we have established strategic value added reseller relationships with Alcatel and Nortel to sell and service our products on a worldwide non-exclusive basis.

As of December 31, 2000, we employed 290 people in our sales and marketing organizations.

CUSTOMER SERVICE AND SUPPORT

We believe that a broad range of support services is essential to the successful installation and ongoing support of our products and we have hired support engineers with proven Internet experience to provide those services. We offer the following services: 24 hours a day, seven days a week technical assistance (on-line, telephone and on-site), professional services, educational services, logistics services and web-based information.

We offer a variety of flexible and comprehensive support programs, including basic hardware and software warranty services, next day onsite parts and labor, 24 hours a day, seven days a week same day parts and labor and on-site resident engineers. We deliver these services directly to major end users and also utilize a multi-tiered support model, leveraging the capabilities of our partners and third party organizations. We also train our partners in the delivery of education and support services.

Customer service and support provide front line product support and is the problem resolution interface to our partners and direct end users. If customer service and support are unable to resolve an issue themselves, they duplicate the problem scenario and provide the failure information, such as logs, dumps, traces and system configuration to appropriate subject matter experts in our engineering department.

Based on the severity of the problem and the impact to our customers' network, there are strict escalation guidelines to ensure that the appropriate technical resource and management attention is brought to bear on the problem in a timeframe commensurate with problem priority. The overall goal is to fix the problem, at the appropriate level, in the right timeframe in order to ensure our customers' satisfaction.

As of December 31, 2000, we employed 134 people in our customer service and support organization, with the majority located in our Sunnyvale, California corporate headquarters.

RESEARCH AND DEVELOPMENT

We have assembled a team of skilled engineers with extensive experience in the fields of high end computing, network system design, Internet routing protocols and embedded software. These individuals have been drawn from leading computer data networking and telecommunications companies. In addition to building complex hardware and software systems, the engineering team has experience in delivering very large, highly integrated ASICs and extremely scalable Internet software.

Our research and development department is organized into teams that work in parallel on several projects in a manner similar to the development of successive generations of complex microprocessors. As a result, we will seek to offer our customers next generation products as they are needed.

We believe that strong product development capabilities are essential to our strategy of enhancing our core technology, developing additional applications, incorporating that technology and maintaining the competitiveness of our product and service offerings. We are leveraging our first generation ASICs, developing additional network interfaces targeted to our customer applications and continuing to develop next generation technology to support the anticipated growth in network bandwidth requirements. We continue to expand the functionality of our JUNOS Internet software to improve performance and scalability, and to provide an enhanced user interface.

Our research and development process is driven by the availability of new technology, market demand and customer feedback. We have invested significant time and resources in creating a structured process for undertaking all product development projects. This process involves all functional groups and all levels within our company. Following an assessment of market demand, our research and development team develops a full set of comprehensive functional product specifications based on inputs from the product management and sales organizations. This process is designed to provide a framework for defining and addressing the steps, tasks and activities required to bring product concepts and development projects to market.

As of December 31, 2000, we employed 305 people in our research and development organization.

Our research and development expenses totaled \$87.8 million for the year ended December 31, 2000, \$41.5 million for the year ended December 31, 1999 and, \$24.0 million for the year ended December 31, 1998.

MANUFACTURING

Our manufacturing operation is entirely outsourced. We have developed manufacturing relationships with Solelectron and Celestica, under which we have subcontracted our manufacturing activity. This subcontracting activity extends from prototypes to full production and includes activities such as material procurement, final assembly, test, control and shipment to our customers. We design, specify and monitor all of the tests that are required to meet internal and external quality standards. These arrangements provide us with the following benefits:

- we operate without dedicating any space to manufacturing operations;
- we conserve the working capital that would be required for funding inventory;
- we can adjust manufacturing volumes quickly to meet changes in demand; and
- we can quickly deliver products to customers with turnkey manufacturing and drop shipment capabilities.

Our ASICs are manufactured by IBM who is responsible for all aspects of the production of the ASICs using our proprietary designs.

COMPETITION

Competition in the Internet infrastructure market is intense. The market historically has been dominated by Cisco Systems, Inc., with other companies such as Nortel Networks and Lucent Technologies Inc. providing products to a smaller segment of the market. In addition, a number of public and private companies have announced plans for new products to address the same problems which our products address.

Cisco traditionally has been the dominant supplier of solutions to this market. We believe this is the result of its early leadership position in the enterprise router market. As the Internet has grown rapidly, Cisco has leveraged this position and has developed a broad product line of routers which support all major local area and wide area interfaces. We believe that our ability to compete with Cisco depends upon our ability to demonstrate that our products are superior in meeting the needs of service providers and are extremely compatible with Cisco's current and future products. Although we believe that we are currently among the top providers of Internet infrastructure solutions worldwide, we cannot assure you that we will be able to compete successfully with Cisco, currently the leading provider in this market.

We expect that, over time, large companies with significant resources, technical expertise, market experience, customer relationships and broad product lines, such as Lucent and Nortel, will introduce new products which are designed to compete more effectively in this market. As a result, we expect to face increased competition in the future from larger companies with significantly more resources than we have. Although we believe that our technology and the purpose-built features of our products make them unique and will enable us to compete effectively with these companies, we cannot assure you that we will be successful.

Many of our current and potential competitors, such as Cisco, Lucent and Nortel, have significantly broader product lines than we do and may bundle their products with other networking products in a manner that may discourage customers from purchasing our products. Also, many of our current and potential competitors have greater name recognition and more extensive customer bases that could be leveraged. Increased competition could result in price reduction, fewer customer orders, reduced gross margins and loss of market share, any of which could seriously harm our operating results.

There are also many small public and private companies which claim to have products with greater capabilities than our products. Consolidation in this industry has begun, with one or more of these smaller private companies being acquired by large, established suppliers of Internet infrastructure products, and we believe it is likely to continue. As a result, we expect to face increased competition in the future from larger companies with significantly more resources than we have.

Several companies also provide solutions which can substitute for some uses of routers. For example, high bandwidth asynchronous transfer mode (ATM) switches, are used in the core of certain major backbone service providers. ATM switches can carry a variety of traffic types, including voice, video and data, using fixed, 53 byte cells. Companies that use ATM switches are enhancing their products with new software technologies such as multi-protocol label switching, or MPLS, which can potentially simplify the task of mixing routers and switches in the same network. These substitutes can reduce the need for large numbers of routers.

INTELLECTUAL PROPERTY

Our success and ability to compete are substantially dependent upon our internally developed technology and knowhow. We have two patents issued relating to high speed switching devices. These patents will expire in 2016. In addition we have over 40 patent applications pending in the United States relating to the design of our products. Our engineering teams have significant expertise in ASIC design and we own all rights to the design of the ASICs which form the core of our products. Our JUNOS Internet software was developed internally and is protected by United States and other copyright laws.

While we rely on patent, copyright, trade secret and trademark law to protect our technology, we also believe that factors such as the technological and creative skills of our personnel, new product developments, frequent product enhancements and reliable product maintenance are essential to establishing and maintaining a technology leadership position. There can be no assurance that others will not develop technologies that are similar or superior to our technology.

Our success will depend upon our ability to obtain necessary intellectual property rights and protect our intellectual property rights. While we have filed patent applications, we cannot be certain that these applications will issue into patents, that we will be able to obtain the necessary intellectual property rights or that other parties will not contest our intellectual property rights.

EMPLOYEES

As of December 31, 2000, we had 927 full-time employees, 305 of whom were engaged in research and development, 290 in sales and marketing, 134 in customer support and 198 in finance, administration, IT and operations. None of our employees are represented by a labor union. We have not experienced any work stoppages and we consider our relations with our employees to be good.

Our future performance depends in significant part upon the continued service of our key technical, sales and senior management personnel, none of whom is bound by an employment agreement requiring service for any defined period of time. The loss of the services of one or more of our key employees could have a material adverse effect on our business, financial condition and results of operations. Our future success also depends on our continuing ability to attract, train and

retain highly qualified technical, sales and managerial personnel. Competition for such personnel is intense, and there can be no assurance that we can retain our key personnel in the future.

RISK FACTORS

WE FACE INTENSE COMPETITION THAT COULD REDUCE OUR MARKET SHARE OR SLOW THE RATE OF INCREASE IN MARKET SHARE.

Competition in the Internet infrastructure market is intense. This market has historically been dominated by Cisco with other companies such as Nortel Networks and Lucent Technologies providing products to a smaller segment of the market. In addition, a number of other small public and private companies have announced plans for new products to address the same problems which our products address. If we are unable to compete successfully against existing and future competitors, we could be required to reduce prices, resulting in reduced gross margins, and we could experience loss of market share or a reduction in the rate of increase of market share, each of which could materially and adversely affect our business, operating results and financial condition.

OUR SUCCESS DEPENDS ON OUR ABILITY TO DEVELOP PRODUCTS AND PRODUCT ENHANCEMENTS THAT WILL ACHIEVE MARKET ACCEPTANCE.

We cannot ensure that we will be able to develop new products or product enhancements in a timely manner or at all. Any failure to develop new products or product enhancements could substantially decrease market acceptance and sales of our present and future products which would significantly harm the business and financial results. Even if we are able to develop and commercially introduce new products and enhancements, there can be no assurance that new products or enhancements will achieve widespread market acceptance. Any failure of our future products to achieve market acceptance could adversely affect the business and financial results.

OUR FAILURE TO INCREASE OUR REVENUES WOULD PREVENT US FROM MAINTAINING PROFITABILITY.

Although our net revenues have grown from \$102.6 million for the year ended December 31, 1999 to \$673.5 million for the year ended December 31, 2000, we cannot be certain that our revenues will continue to grow. We have large fixed expenses and expect to continue to incur significant and increasing sales and marketing, engineering and product development and administrative expenses and there can be no assurances that net revenues will continue to grow or that we will maintain profitability.

OUR LIMITED OPERATING HISTORY MAKES FORECASTING DIFFICULT.

As a result of our limited operating history, it is difficult to accurately forecast revenues and there is limited meaningful historical financial data upon which to base planned operating expenses. In addition, our operating expenses are largely based on anticipated revenue trends and a high percentage of our expenses are, and will continue to be, fixed in the short-term. If we do not achieve our expected revenues, our operating results will be below our expectations and those of investors and market analysts, which could cause the price of the common stock to decline.

In addition, timing of deployment of our products can vary widely and depends on various factors. Customers with large networks usually expand their networks in large increments on a periodic basis. We expect to receive significant orders on an irregular basis. Because of our limited operating history, we cannot predict these sales and development cycles. These long cycles, as well as our expectation that customers will tend to sporadically place large orders with short lead times, may cause our revenues and operating results to vary significantly and unexpectedly from quarter to quarter.

Further, we have experienced and expect to continue to experience in the foreseeable future limited visibility as to our customers' spending plans and capital budgets. This limited visibility complicates the forecasting process further.

ALTHOUGH OUR CUSTOMER BASE HAS INCREASED SUBSTANTIALLY, THERE IS STILL A LIMITED NUMBER OF CUSTOMERS WHICH COMPRISE A SIGNIFICANT PORTION OF OUR REVENUES AND ANY DECREASE IN REVENUE FROM THESE CUSTOMERS COULD HAVE AN ADVERSE EFFECT.

We expect that a large portion of our net revenues will continue to depend on sales to a limited number of customers. Any downturn in the business of these customers or potential new customers could significantly decrease sales to such customers which could adversely affect our net revenues and results of operations.

IF WE FAIL TO MANAGE EXPANSION EFFECTIVELY WE COULD SERIOUSLY HARM OUR BUSINESS, FINANCIAL CONDITION AND PROSPECTS.

Our ability to successfully implement our business plan, develop and offer our products and manage expansion in a rapidly evolving market requires a comprehensive and effective planning and management process. We continue to increase the scope of our operations domestically and internationally and have grown headcount substantially. The growth in business, headcount and relationships with customers and other third parties has placed and will continue to place a significant strain on our management systems and resources. We will need to continue to improve our operational, managerial and financial controls, reporting systems and procedures, and will need to continue to expand, train and manage our work force worldwide.

THE LONG SALES AND IMPLEMENTATION CYCLES FOR OUR PRODUCTS, AS WELL AS OUR EXPECTATION THAT CUSTOMERS WILL SPORADICALLY PLACE LARGE ORDERS WITH SHORT LEAD TIMES MAY CAUSE REVENUES AND OPERATING RESULTS TO VARY SIGNIFICANTLY FROM QUARTER TO QUARTER.

A customer's decision to purchase our products involves a significant commitment of its resources and a lengthy evaluation and product qualification process. As a result, our sales cycle may be lengthy. Throughout the sales cycle, we often spend considerable time educating and providing information to prospective customers regarding the use and benefits of the products. Even after making the decision to purchase, our customers tend to deploy the products slowly and deliberately. Timing of deployment can vary widely and depends on the skill set of the customer, the size of the network deployment, the complexity of the customer's network environment and the degree of hardware and software configuration necessary to deploy the products. Customers with large networks usually expand their networks in large increments on a periodic basis. Accordingly, we expect to receive purchase orders for significant dollar amounts on an irregular basis. Because of our limited operating history, we cannot predict these sales and development cycles. These long cycles, as well as our expectation that customers will tend to sporadically place large orders with short lead times, may cause our revenues and operating results to vary significantly and unexpectedly from quarter to quarter.

WE DEPEND ON KEY PERSONNEL TO MANAGE OUR BUSINESS EFFECTIVELY IN A RAPIDLY CHANGING MARKET AND IF WE ARE UNABLE TO HIRE ADDITIONAL PERSONNEL, OUR ABILITY TO SELL PRODUCTS COULD BE HARMED.

Our future success depends upon the continued services of our executive officers and other key engineering, sales, marketing and support personnel. None of the officers or key employees is bound by an employment agreement for any specific term.

We also will need to continue to hire engineering and other personnel in the future, and we believe our success depends, in large part, upon our ability to attract and retain these key employees. Competition for these persons is intense, especially in the San Francisco Bay area. The loss of the services of any of our key employees, the inability to attract or retain qualified personnel in the future or delays in hiring required personnel, particularly engineers, could delay the development and introduction of our products.

In addition, we believe that our future success is dependent upon establishing successful relationships with a variety of distribution partners. We have entered into agreements with several value added resellers, some of whom also sell products that compete with our products. We cannot be certain that we will be able to reach agreement with additional resellers on a timely basis or at all, or that they will devote adequate resources to selling our products.

WE ARE DEPENDENT ON SOLE SOURCE AND LIMITED SOURCE SUPPLIERS FOR SEVERAL KEY COMPONENTS.

With the current demand for electronic products, component shortages are possible and the predictability of the availability of such components is limited. We currently purchase several key components, including ASICs, from a single source. We may not be able to develop an alternate or second source in a timely manner, which could hurt our ability to deliver product to customers. If we are unable to buy these components on a timely basis, we may not be able to deliver product to our customers, which would seriously impact present and future sales which would, in turn, adversely affect our business.

WE CURRENTLY DEPEND ON CONTRACT MANUFACTURERS WITH WHOM WE DO NOT HAVE LONG-TERM SUPPLY CONTRACTS, AND IF WE UNEXPECTEDLY HAVE TO QUALIFY A NEW CONTRACT MANUFACTURER WE MAY LOSE REVENUE AND DAMAGE OUR CUSTOMER RELATIONSHIPS.

We depend on third party contract manufacturers to manufacture our products. We do not have a long-term supply contract with such manufacturers and if we should fail to effectively manage our contract manufacturer relationships or if one or more of them should experience delays, disruptions or quality control problems in our manufacturing operations, our ability to ship products to our customers could be delayed which could adversely affect our business and financial results.

IF WE FAIL TO ACCURATELY PREDICT OUR MANUFACTURING REQUIREMENTS, WE COULD INCUR ADDITIONAL COSTS OR EXPERIENCE MANUFACTURING DELAYS.

We provide forecasts of our demand to our contract manufacturers up to six months prior to scheduled delivery of products to our customers. If we overestimate our requirements, the contract manufacturer may have excess inventory, which would increase our costs. If we underestimate our requirements, the contract manufacturer may have an inadequate inventory, which could interrupt manufacturing of our products and result in delays in shipments and revenues. In addition, lead times for materials and components we order vary significantly and depend on factors such as the specific supplier, contract terms and demand for each component at a given time. We also may experience shortages of certain components from time to time, which also could delay the manufacturing of our products.

THE UNPREDICTABILITY OF OUR QUARTERLY RESULTS MAY ADVERSELY AFFECT THE TRADING PRICE OF OUR COMMON STOCK.

Our revenues and operating results will vary significantly from quarter to quarter due to a number of factors, including many which are outside of our control and any of which may cause our stock price to fluctuate.

The factors that may impact the unpredictability of our quarterly results include the long sales and implementation cycle and the continuing increase in operating expenses in anticipation of increased revenues. As a result, we believe that quarter-to-quarter comparisons of operating results are not a good indication of future performance. It is likely that in some future quarters, operating results may be below the expectations of public market analysts and investors. In this event, the price of our common stock may fall. Our operating expenses are largely based on anticipated revenue trends and a high percentage of our expenses are, and will continue to be, fixed in the short term. As a result, a delay in generating or recognizing revenue for the reasons set forth above, or for any other reason, could cause significant variations in our operating results from quarter to quarter and could result in substantial operating losses.

IF OUR PRODUCTS DO NOT INTEROPERATE WITH OUR CUSTOMERS' NETWORKS, INSTALLATIONS WILL BE DELAYED OR CANCELLED AND COULD RESULT IN SUBSTANTIAL PRODUCT RETURNS WHICH COULD HARM OUR BUSINESS.

Our products are designed to interface with our customers' existing networks, each of which has different specifications and utilizes multiple protocol standards. Many of our customers' networks contain multiple generations of products that have been added over time as these networks have grown and evolved. Our products must interoperate with all of the products within these networks as well as future products in order to meet our customers' requirements. If we find errors in the existing software used in our customers' networks, we must modify our JUNOS Internet software to fix or overcome these errors so that our products will interoperate and scale with the existing software and hardware. If our products do not interoperate with those of our customers' networks, installations could be delayed, orders for our products could be cancelled or our products could be returned. This would also seriously harm our reputation, which could seriously harm our business and prospects. Because our products are complex and are deployed in complex environments, they may have errors or defects that we find only after full deployment, which could seriously harm our business.

Our products are highly complex and designed to be deployed in very large and complex networks. Although we have thoroughly tested our products, because of the nature of the product, it can only be fully tested when deployed in very large networks with high amounts of traffic. To date, our products have been deployed only on a limited basis. Consequently, our customers may discover errors or defects in the hardware or the software after it has been fully deployed. If we are unable to fix errors or other problems that may be identified in full deployment, we could experience, among other things, loss of or delay in revenues and loss of market share, loss of customers, diversion of development resources and increased service and warranty costs.

CUSTOMER PRODUCT LIABILITY CLAIMS BASED ON ERRORS IN OUR SOFTWARE OR MISTAKES IN PERFORMING OUR SERVICES COULD RESULT IN COSTLY LITIGATION AGAINST US.

We may be subject to claims based on errors in our software or mistakes in performing our services, including claims relating to damages to our customers' internal systems. Our contracts with our customers generally contain provisions designed to limit our exposure to potential product liability claims, such as disclaimers of warranties and limitations on liability for special, consequential and incidental damages. We believe our product liability insurance is adequate to cover potential product liability claims. However, a product liability claim, whether successful or not, could seriously impact our capital reserves, harm our reputation, and direct the attention of key personnel away from our business, any of which could harm our business.

PROBLEMS ARISING FROM USE OF OUR PRODUCTS IN CONJUNCTION WITH OTHER VENDORS' PRODUCTS COULD DISRUPT OUR BUSINESS AND HARM OUR FINANCIAL CONDITION.

Service providers typically use our products in conjunction with products from other vendors. As a result, when problems occur, it may be difficult to identify the source of the problem. These problems may cause us to incur significant warranty and repair costs, divert the attention of our engineering personnel from our product development efforts and cause significant customer relations problems.

OUR PRODUCTS ARE NEW AND FACE RAPID TECHNOLOGICAL CHANGES AND EVOLVING STANDARDS AND IF WE DO NOT RESPOND IN A TIMELY MANNER, OUR BUSINESS COULD BE HARMED.

The Internet infrastructure market is characterized by rapid technological change, frequent new product introductions, changes in customer requirements and evolving industry standards. In developing our products, we have made, and will continue to make, assumptions with respect to which standards will be adopted by our customers and competitors. If the standards adopted are different from those which we have chosen to support, market acceptance of our products may be significantly reduced or delayed and our business will be seriously harmed. In addition, the introduction of products embodying new technologies and the emergence of new industry standards could render our existing products obsolete.

In addition, in order to introduce products embodying new technologies and new industry standards, we must be able to gain access to the latest technologies of our suppliers such as IBM. Any failure to gain access to the latest technologies could harm our business and operating results.

OUR FAILURE TO ESTABLISH AND MAINTAIN KEY CUSTOMER RELATIONSHIPS MAY RESULT IN DELAYS IN INTRODUCING NEW PRODUCTS OR CAUSE CUSTOMERS TO FOREGO PURCHASING OUR PRODUCTS.

Our future success will also depend upon our ability to develop and manage key customer relationships in order to introduce a variety of new products and product enhancements that address the increasingly sophisticated needs of our customers. Our failure to establish and maintain these customer relationships may adversely affect our ability to develop new products and product enhancements. In addition, we may experience delays in releasing new products and product enhancements in the future. Material delays in introducing new products and enhancements or our inability to introduce competitive new products may cause customers to forego purchases of our products and purchase those of our competitors, which could seriously harm our business.

IF WE BECOME SUBJECT TO UNFAIR HIRING CLAIMS WE COULD INCUR SUBSTANTIAL COSTS IN DEFENDING OURSELVES.

Companies in our industry whose employees accept positions with competitors frequently claim that their competitors have engaged in unfair hiring practices. We have received claims of this kind in the past and we cannot assure you that we will not receive claims of this kind in the future as we seek to hire qualified personnel or that those claims will not result in material litigation. We could incur substantial costs in defending ourselves against these claims, regardless of their merits.

OUR BUSINESS WILL BE ADVERSELY AFFECTED IF WE ARE UNABLE TO PROTECT OUR INTELLECTUAL PROPERTY RIGHTS FROM THIRD-PARTY CHALLENGES.

We rely on a combination of patent, copyright, trademark and trade secret laws and restrictions on disclosure to protect our intellectual property rights. We also enter into confidentiality or license agreements with our employees, consultants and corporate partners, and control access to and distribution of our software, documentation and other proprietary information. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise obtain and use our products or technology. Monitoring unauthorized use of our products is difficult and we cannot be certain that the steps we have taken will prevent unauthorized use of our technology, particularly in foreign countries where the laws may not protect our proprietary rights as fully as in the United States.

NECESSARY LICENSES OF THIRD-PARTY TECHNOLOGY MAY NOT BE AVAILABLE TO US OR MAY BE VERY EXPENSIVE.

From time to time we may be required to license technology from third parties to develop new products or product enhancements. We cannot assure you that third party licenses will be available to us on commercially reasonable terms, if at all. The inability to obtain any third-party license required to develop new products and product enhancements could require us to obtain substitute technology of lower quality or performance standards or at greater cost either of which could seriously harm our business, financial condition and results of operations.

WE COULD BECOME SUBJECT TO LITIGATION REGARDING INTELLECTUAL PROPERTY RIGHTS WHICH COULD SERIOUSLY HARM OUR BUSINESS.

In recent years, there has been significant litigation in the United States involving patents and other intellectual property rights. Although we are not involved in any intellectual property litigation, we may be a party to litigation in the future to protect our intellectual property or as a result of an alleged infringement of others' intellectual property. Claims for alleged infringement and any resulting lawsuit, if successful, could subject us to significant liability for damages and invalidation of our proprietary rights. These lawsuits, regardless of their success, would likely be time-consuming and expensive to resolve and would divert management time and attention. Any potential intellectual property litigation could also force us to do one or more of the following:

- stop selling, incorporating or using our products that use the challenged intellectual property;
- obtain from the owner of the infringed intellectual property right a license to sell or use the relevant technology, which license may not be available on reasonable terms, or at all; or
- redesign those products that use such technology.

If we are forced to take any of the foregoing actions, our business may be seriously harmed. Although we carry general liability insurance, our insurance may not cover potential claims of this type or may not be adequate to indemnify us for all liability that may be imposed.

WE FACE RISKS ASSOCIATED WITH OUR INTERNATIONAL OPERATIONS THAT COULD HARM OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

We market, sell and service our products in the United States and internationally. We have established offices throughout Europe and in the Asia Pacific region. We will continue to expand our international operations and enter new international markets. This expansion will require significant management attention and financial resources to develop successfully direct and indirect international sales and support channels. We may not be able to maintain or increase international market demand for our products.

International operations are subject to inherent risks, including greater difficulty in accounts receivable collection and longer collection periods, difficulties and costs of staffing and managing foreign operations, the impact of recessions in economies outside the United States, unexpected changes in regulatory requirements, certification requirements, reduced

protection for intellectual property rights in some countries, potentially adverse tax consequences, and political and economic instability.

Our international revenues were \$235.8 million for the year ended December 31, 2000 and are denominated in U.S. dollars. Consequently, we do not currently engage in currency hedging activities. However, a portion of our international revenues may be denominated in foreign currencies in the future.

ANY ACQUISITIONS WE MAKE COULD DISRUPT OUR BUSINESS AND HARM OUR FINANCIAL CONDITION.

We intend to make investments in complementary companies, products or technologies. In the event of any such investments or acquisitions, we could issue stock that would dilute our current stockholders' percentage ownership, incur debt, assume liabilities, incur amortization expenses related to goodwill and other intangible assets, or incur large and immediate write-offs.

These acquisitions also involve numerous risks, including problems combining the purchased operations, technologies or products, unanticipated costs, diversion of management's attention from our core business, adverse effects on existing business relationships with suppliers and customers, risks associated with entering markets in which we have no or limited prior experience, and potential loss of key employees, particularly those of the acquired organizations. We cannot assure you that we will be able to successfully integrate any businesses, products, technologies or personnel that we might acquire in the future.

RISKS RELATED TO THE 4.75% SUBORDINATED CONVERTIBLE NOTES DUE MARCH 15, 2007

Last year the Company completed an offering (the "Debt Offering") of 4.75% Subordinated Convertible Notes Due March 15, 2007 (the "Convertible Notes"). In connection with the Convertible Notes, the Company is subject to certain risks in addition to those described above. Those additional risks include the following.

SUBSTANTIAL LEVERAGE AND DEBT SERVICE OBLIGATIONS MAY ADVERSELY AFFECT OUR CASH FLOW.

As a result of the Debt Offering we have a substantial amount of outstanding indebtedness. As a result of this indebtedness, our principal and interest payment obligations have increased substantially. There is the possibility that we may be unable to generate cash sufficient to pay the principal of, interest on and other amounts due with respect to the Convertible Notes when due. We may also add additional equipment loans and lease lines to finance capital expenditures and may obtain additional long-term debt, working capital lines of credit and lease lines.

OUR SUBSTANTIAL LEVERAGE COULD HAVE SIGNIFICANT NEGATIVE CONSEQUENCES, INCLUDING:

- increasing our vulnerability to general adverse economic and industry conditions;
- limiting our ability to obtain additional financing;
- requiring the dedication of a substantial portion of our expected cash flow from operations to service our indebtedness, thereby reducing the amount of our expected cash flow available for other purposes, including capital expenditures;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we compete; and
- placing us at a possible competitive disadvantage relative to less leveraged competitors and competitors that have better access to capital resources.

ITEM 2 PROPERTIES

We lease approximately 144,000 and 122,000 square feet in two buildings located in Sunnyvale, California. We have entered into a lease for a third building of approximately 122,000 square feet also in Sunnyvale, California. The lease on the office space for 144,000 square feet commenced on July 1, 2000 and it will expire on June 30, 2012, with certain options for extension and expansion and the lease for the 122,000 square feet commenced February 1, 2001 and expires

February 14, 2013.

We currently have offices in the following locations:

NORTH AMERICA

Sunnyvale, California
Atlanta, Georgia
Charlotte, North Carolina
Columbia, Maryland
Denver, Colorado
Lisle, Illinois
Raleigh, North Carolina
Reston, Virginia
Tulsa, Oklahoma
Waltham, Massachusetts
Toronto, Ontario, Canada
Vancouver, B.C., Canada
Mexico City, Mexico

SOUTH AMERICA

Sao Paulo, Brazil

EUROPE

Leatherhead, U.K.
Amsterdam, The Netherlands
Brussels, Belgium
Dublin, Ireland
Frankfurt, Germany
Madrid, Spain
Milan, Italy
Paris, France
Zurich, Switzerland

ASIA PACIFIC

Hong Kong
New Delhi, India
Beijing, PRC
Kuala Lumpur, Malaysia
Seoul, Korea
Singapore
Sydney, Australia
Taipei, Taiwan
Tokyo, Japan

The commercial real estate market in the San Francisco Bay area is volatile and unpredictable in terms of available space, rental fees, occupancy rates and preferred locations. We cannot be certain that additional space will be available when we require it, or that it will be affordable or in a preferred location. See Note 5 of the Notes to the Consolidated Financial Statements in Exhibit 13.1 hereto.

ITEM 3 LEGAL PROCEEDINGS

The Company is not a party to any material legal proceedings.

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security-holders during the fourth quarter of the fiscal year covered by this report.

EXECUTIVE OFFICERS OF THE REGISTRANT

Our executive officers and their ages, as of December 31, 2000, are as follows:

NAME	AGE	POSITION
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Scott Kriens.....	43	President, Chief Executive Officer and Chairman of the Board
Pradeep Sindhu.....	48	Chief Technical Officer and Vice Chairman of the Board
Marcel Gani.....	48	Chief Financial Officer
Steven Haley.....	46	Vice President of Worldwide Sales and Service
Peter L. Wexler.....	45	Vice President of Engineering

SCOTT KRIENS has served as President, Chief Executive Officer and Chairman of the board of directors of Juniper Networks since October 1996. From April 1986 to January 1996, Mr. Kriens served as Vice President of Sales and Vice President of Operations at StrataCom, Inc., a telecommunications equipment company, which he co-founded in 1986. Mr. Kriens received a B.A. in Economics from California State University, Hayward. Mr. Kriens also serves on the boards of directors of Equinix, Inc. and Verisign, Inc.

PRADEEP SINDHU co-founded Juniper Networks in February 1996 and served as Chief Executive Officer and Chairman of the board of directors until September 1996. Since then, Dr. Sindhu has served as Vice Chairman of the board of directors and Chief Technical Officer of Juniper Networks. From September 1984 to February 1991, Dr. Sindhu worked as a Member of the Research Staff, and from March 1987 to February 1996, as the Principal Scientist, and from February 1994 to February 1996, as Distinguished Engineer at the Computer Science Lab, Xerox Corporation, Palo Alto Research Center, a technology research center. Dr. Sindhu holds a B.S.E.E. from the Indian Institute of Technology in Kanpur, an M.S.E.E. from the University of Hawaii and a Masters in Computer Science and Ph.D. in Computer Science from Carnegie-Mellon University.

MARCEL GANI joined Juniper Networks as Chief Financial Officer in February 1997. From January 1996 to January 1997, Mr. Gani served as Vice President and Chief Financial Officer of NVIDIA Corporation, a 3D graphic processor company. Mr. Gani also held the positions of Vice President and Chief Financial Officer at Grand Junction Networks, a data networking company acquired by Cisco Systems, Inc., from March 1995 to January 1996, and at Primary Access Corporation, a data networking company acquired by 3Com Corporation, from March 1993 to March 1995. Mr. Gani holds an M.B.A. from the University of Michigan. Mr. Gani also serves on the board of directors of AirFiber, Inc.

STEVEN HALEY joined Juniper Networks as Vice President of Worldwide Sales and Service in August 1997. Prior to joining Juniper Networks, Mr. Haley served as Vice President of Sales at Cisco Systems, Inc., a data networking company, from July 1996 to August 1997. From February 1990 to July 1996, he worked for StrataCom, Inc., serving in a variety of management roles from Managing Director, Europe to Vice President of Sales, Americas. He holds a B.S. in Marketing from the University of Massachusetts, Amherst.

PETER L. WEXLER joined Juniper Networks as Vice President of Engineering in January 1997. From April 1995 to January 1997, Mr. Wexler served as Vice President of Engineering at Bay Networks, a data networking company. From April 1993 to April 1995, Mr. Wexler served as Director of High-End Platform Development at Wellfleet Communications, a predecessor to Bay Networks and a manufacturer of high-performance routers. He holds a B.S.E. from State University of New York at Stony Brook, an M.S.E. from the University of Illinois and an M.B.A. from Boston University.

PART II

ITEM 5 MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDERS MATTERS

Our common stock has been quoted on the Nasdaq National Market under the symbol "JNPR" since June 25, 1999. Prior to that time, there was no public market for the common stock. All stock information has been adjusted to reflect the three-for-one split, effected in the form of a stock dividend to each stockholder of record as of December 31, 1999 and a two-for-one split, effected in the form of a stock dividend to each stockholder of record as of May 15, 2000. Juniper Networks has never paid cash dividends on its common stock and has no present plans to do so. There were approximately 833 stockholders of record at March 9, 2001. The following table sets forth the high and low closing bid prices as reported on the NASDAQ:

	Q1 -----	Q2 -----	Q3 -----	Q4 -----
1999				
High	N/A	\$ 24.83	\$ 37.83	\$ 59.08
Low	N/A	\$ 16.48	\$ 20.83	\$ 30.35
2000				
High	\$153.50	\$147.94	\$230.50	\$243.00
Low	\$ 51.29	\$ 74.00	\$127.00	\$ 93.94

On December 8, 2000, the Company issued an aggregate of 828,351 unregistered shares of common stock to the shareholders of Micro Magic, Inc. ("MMI") in connection with the merger of MMI into the Company. The issuance was exempt from registration pursuant to Section 4(2) of the Securities Act of 1933.

ITEM 6 SELECTED FINANCIAL DATA

	YEAR ENDED DECEMBER 31,				PERIOD FROM INCEPTION (FEBRUARY 2, 1996) TO DECEMBER 31, 1996
	2000	1999	1998	1997	1996
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)				
CONSOLIDATED STATEMENT OF OPERATIONS DATA:					
Net revenues	\$673,501	\$102,606	\$ 3,807	\$ --	\$ --
Operating income (loss)	194,089	(14,620)	(32,270)	(11,598)	(1,939)
Net income (loss)	\$147,916	\$ (9,034)	\$(30,971)	\$(10,363)	\$(1,799)
	=====	=====	=====	=====	=====
Net income (loss) per share:					
Basic	\$ 0.49	\$ (0.05)	\$ (0.40)	\$ (0.20)	\$ (0.08)
	=====	=====	=====	=====	=====
Diluted	\$ 0.43	\$ (0.05)	\$ (0.40)	\$ (0.20)	\$ (0.08)
	=====	=====	=====	=====	=====
Shares used in computing net income (loss) per share (1):					
Basic	304,381	189,322	77,742	51,546	23,748
	=====	=====	=====	=====	=====
Diluted	347,858	189,322	77,742	51,546	23,748
	=====	=====	=====	=====	=====
AS OF DECEMBER 31,					
	2000	1999	1998	1997	1996
	(IN THOUSANDS)				
CONSOLIDATED BALANCE SHEET DATA:					
Cash, cash equivalents and short-term investments	\$1,144,743	\$345,958	\$20,098	\$46,227	\$ 9,468
Working capital	1,132,139	322,170	14,432	44,691	9,315
Total assets	2,103,129	513,378	36,671	50,210	10,388
Total long-term liabilities	1,156,719	--	5,204	2,083	408
Stockholders' equity	730,002	457,715	17,065	46,048	9,728

(1) See Note 11 of Notes to Consolidated Financial Statements in Exhibit 13.1 hereto for an explanation of the determination of the shares used to compute net loss per share.

ITEM 7 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS

For the information required by this Item, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the 2000 Annual Report to Stockholders in Exhibit 13.1 hereto.

ITEM 7A QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

For the information required by this Item, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the 2000 Annual Report to Stockholders in Exhibit 13.1 hereto.

ITEM 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

For the information required by this Item, see the Consolidated Financial Statements and Notes thereto in the 2000 Annual Report to Stockholders in Exhibit 13.1 hereto.

ITEM 9 CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not Applicable.

PART III

ITEM 10 DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this Item 10 is incorporated by reference to our Definitive Proxy Statement with respect to our 2001 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission not later than 120 days after the end of the fiscal year.

ITEM 11 EXECUTIVE COMPENSATION

The information required by this Item 11 is incorporated by reference to our Definitive Proxy Statement with respect to our 2001 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission not later than 120 days after the end of the fiscal year.

ITEM 12 SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item 12 is incorporated by reference to our Definitive Proxy Statement with respect to our 2001 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission not later than 120 days after the end of the fiscal year.

ITEM 13 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item 13 is incorporated by reference to our Definitive Proxy Statement with respect to our 2001 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission not later than 120 days after the end of the fiscal year.

PART IV

ITEM 14 EXHIBITS, CONSOLIDATED FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

a) FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

1. FINANCIAL STATEMENTS

Consolidated Balance Sheets -- As of December 31, 2000 and 1999 Consolidated Statements of Operations -- For the Three Years Ended December 31, 2000 Consolidated Statement of Stockholders' Equity -- For the Three Years Ended December 31, 2000 Consolidated Statements of Cash Flows -- For the Three Years Ended December 31, 2000 Notes to Consolidated Financial Statements

Report of Independent Auditors

2. CONSOLIDATED FINANCIAL STATEMENT SCHEDULES

The following financial statement schedule of Juniper Networks is filed as part of this Report and should be read in conjunction with the Financial Statements of Juniper Networks.

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Schedule II: Valuation and Qualifying Accounts and Reserves	26

Schedules not listed above have been omitted because the information required to be set forth therein is not applicable or is shown in the financial statements or notes thereto.

b) EXHIBITS

EXHIBIT NUMBER -----	DESCRIPTION OF DOCUMENT -----
2.1	Agreement and Plan of Reorganization dated as of November 27, 2000 between Juniper Networks, Inc. and Micro Magic, Inc. (incorporated herein by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K dated December 8, 2000 and filed with Securities and Exchange Commission on December 21, 2000)
3.1	Amended and Restated Certificate of Incorporation of the Registrant
3.2	Amended and Restated Bylaws of the Registrant
4.1	Form of Indenture by and between Registrant and Norwest Bank Minnesota, N.A. (incorporated herein by reference to Exhibit 4.3 to the Registrant's Registration Statement on Form S-1 No. 333-96171)
10.1	Form of Indemnification Agreement entered into by the Registrant with each of its directors, officers and certain employees (incorporated herein by reference to Exhibit 10.1 to the Registrant's Registration Statement on Form S-1 No. 333-76681)
10.2	Amended and Restated 1996 Stock Plan (incorporated herein by reference to Exhibit 10.2 to the Registrant's Registration Statement on Form S-1 No. 333-76681)
10.3	1999 Employee Stock Purchase Plan (incorporated herein by reference to Exhibit 10.3 to the Registrant's Registration Statement on Form S-1 No. 333-76681)
10.4	2000 Nonstatutory Stock Option Plan (incorporated herein by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form S-8 No. 333-44148)
10.5	Change of Control Agreement between Scott Kriens and the Registrant dated October 1, 1996 (incorporated herein by reference to Exhibit 10.6 to the Registrant's Registration Statement on Form S-1 No. 333-76681)
10.6	Change of Control Agreement between Marcel Gani and the Registrant dated February 18, 1997

EXHIBIT NUMBER -----	DESCRIPTION OF DOCUMENT -----
	(incorporated herein by reference to Exhibit 10.7 to the Registrant's Registration Statement on Form S-1 No. 333-76681)
10.7	Agreement for ASIC Design and Purchase of Products between IBM Microelectronics and the Registrant dated August 26, 1997 and Amendments One and Two to the agreement dated January 5, 1998 and March 2, 1998, respectively (incorporated herein by reference to Exhibit 10.8, 10.8.1 and 10.8.2, respectively, to the Registrant's Registration Statement on Form S-1 No. 333-76681)
10.8	Lease between Mathilda Associates LLC and the Registrant dated June 18, 1999 (incorporated herein by reference to Exhibit 10.10 to the Registrant's Registration Statement on Form S-1 No. 333-76681)
10.9	Lease between Mathilda Associates LLC and the Registrant dated February 28, 2000
13.1	2000 Annual Report to Stockholders (deemed to be filed to the extent that information is specifically incorporated by reference)
21.1	Subsidiaries of Registrant
23.1	Consent of Ernst & Young LLP, Independent Auditors
24.1	Power of Attorney (see page 25)

c) REPORTS ON FORM 8-K

We filed a Current Report on Form 8-K dated December 8, 2000 to report under Item 2 thereof the acquisition of Micro Magic, Inc. The following financial statements were included with the filing: Micro Magic, Inc. Financial Statements as of December 31, 1998 and 1999 (Audited); and Juniper Networks, Inc. Supplementary Consolidated Financial Statements (Unaudited).

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized, on this 27th day of March, 2001.

JUNIPER NETWORKS, INC.

By: /s/ Marcel Gani

Marcel Gani
Chief Financial Officer
(Duly Authorized Officer and
Principal Financial and
Accounting Officer)

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Lisa C. Berry and Marcel Gani, and each of them individually, as his attorney-in-fact, each with full power of substitution, for him in any and all capacities to sign any and all amendments to this Report on Form 10-K, and to file the same with, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that said attorney-in-fact, or his or her substitute, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons in the capacities and on the date indicated.

SIGNATURE -----	TITLE -----	DATE ----
/s/ Scott Kriens ----- Scott Kriens	President, Chief Executive Officer and Chairman of the Board (Principal Executive Officer)	March 27, 2001
/s/ Marcel Gani ----- Marcel Gani	Chief Financial Officer (Principal Financial and Accounting Officer)	March 27, 2001
/s/ Pradeep Sindhu ----- Pradeep Sindhu	Chief Technical Officer and Vice Chairman of Board	March 27, 2001
/s/ William R. Hearst III ----- William R. Hearst III	Director	March 27, 2001
/s/ Vinod Khosla ----- Vinod Khosla	Director	March 27, 2001
/s/ C. Richard Kramlich ----- C. Richard Kramlich	Director	March 27, 2001
/s/ Stratton Sclavos ----- Stratton Sclavos	Director	March 27, 2001
/s/ William Stensrud ----- William Stensrud	Director	March 27, 2001

JUNIPER NETWORKS, INC.

**SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS**

**YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998
(IN THOUSANDS)**

DESCRIPTION -----	BALANCE AT BEGINNING OF YEAR -----	CHARGED TO COSTS AND EXPENSES -----	DEDUCTIONS -----	BALANCE AT END OF YEAR -----
Year ended December 31, 2000				
Allowance for doubtful accounts.....	\$632	\$3,095	\$--	\$3,727
Year ended December 31, 1999				
Allowance for doubtful accounts.....	\$ --	\$ 632	\$--	\$ 632
Year ended December 31, 1998				
Allowance for doubtful accounts.....	\$ --	\$ --	\$--	\$ --

EXHIBIT INDEX

EXHIBIT NUMBER -----	DESCRIPTION OF DOCUMENT -----
2.1	Agreement and Plan of Reorganization dated as of November 27, 2000 between Juniper Networks, Inc. and Micro Magic, Inc. (incorporated herein by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K dated December 8, 2000 and filed with Securities and Exchange Commission on December 21, 2000)
3.1	Amended and Restated Certificate of Incorporation of the Registrant
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10.9	Lease between Mathilda Associates LLC and the Registrant dated February 28, 2000
13.1	2000 Annual Report to Stockholders (deemed to be filed to the extent that information is specifically incorporated by reference)
21.1	Subsidiaries of Registrant
23.1	Consent of Ernst & Young LLP, Independent Auditors
24.1	Power of Attorney (see page 25)

EXHIBIT 3.1

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION OF JUNIPER NETWORKS, INC.

Juniper Networks, Inc., a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), hereby certifies that:

A. The name of this Corporation is Juniper Networks, Inc.

B. The date of filing of this Corporation's original Certificate of Incorporation with the Secretary of State of Delaware was September 10, 1997.

C. Pursuant to Sections 241 and 245 of the Delaware General Corporation law, this Restated Certificate of Incorporation restates, integrates and amends the provisions of the Corporation's Amended and Restated Certificate of Incorporation as follows:

FIRST: The name of this Corporation is Juniper Networks, Inc.

SECOND: The address of the Corporation's registered office in the State of Delaware is 1209 Orange Street, Wilmington, County of New Castle, Delaware 19801. The name of its registered agent at such address is The Corporation Trust Company.

THIRD: The purpose of this Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

FOURTH: This Corporation is authorized to issue two classes of shares to be designated, respectively, Common Stock and Preferred Stock. The total number of shares of Common Stock that this corporation is authorized to issue is 1,000,000,000, with a par value of \$0.00001, and the total number of shares of Preferred stock which this corporation is authorized to issue is 10,000,000, with a par value of \$0.00001.

The Preferred Stock may be issued from time to time in one or more series pursuant to a resolution or resolutions providing for such issue duly adopted by the Board of Directors (authority to do so being hereby expressly vested in the Board). The Board of Directors is further authorized to determine or alter the rights, preferences, privileges and restrictions granted to or imposed upon any wholly unissued series of Preferred Stock and, to fix the number of shares of any such series of Preferred Stock and the designation of any such series of Preferred Stock. The Board of Directors is authorized, within the limits and restrictions stated in any resolution or resolutions of the Board of Directors originally fixing the number of shares constituting any series, to increase or decrease (but not below the number of shares then outstanding) the number of shares of any such series subsequent to the issue of shares of that series, to determine the designation of any series, and to fix the number of shares of any series.

FIFTH: The Corporation is to have perpetual existence.

SIXTH: Elections of directors need not be by written ballot unless a stockholder demands election by written ballot at the meeting and before voting begins or unless the Bylaws of the Corporation shall so provide.

SEVENTH: The management of the business and the conduct of the affairs of the Corporation shall be vested in its Board of Directors. The number of directors which shall constitute the whole Board of Directors shall be designated in the Bylaws of the Corporation.

The Board of Directors shall be divided into three classes designated as Class I, Class II, and Class III, respectively. Directors shall be assigned to each class in accordance with a resolution or resolutions adopted by the Board of Directors. At the first annual meeting of stockholders following the date hereof, the term of office of the Class I directors shall expire, and Class I directors shall be elected for a full term of three years. At the second annual meeting of stockholders following the date hereof, the term of office of the Class II directors shall expire, and Class II directors shall be elected for a full term of three years. At the third annual meeting of stockholders following the date hereof, the term of office of the Class III directors shall expire, and Class III directors shall be elected for a full term of three years. At each succeeding annual meeting of stockholders, directors shall be elected for a full term of three years to succeed the directors of the class whose terms expire at such annual meeting.

Notwithstanding the foregoing provisions of this Article, each director shall serve until his or her successor is duly elected and qualified or until his or her death, resignation, or removal. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

Any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal, or other causes shall be filled by either (i) the affirmative vote of the holders of a majority of the voting power of the then-outstanding shares of voting stock of the Corporation entitled to vote generally in the election of directors (the "Voting Stock") voting together as a single class; or (ii) by the affirmative vote of a majority of the remaining directors then in office, even though less than a quorum of the Board of Directors. Newly created directorships resulting from any increase in the number of directors shall, unless the Board of Directors determines by resolution that any such newly created directorship shall be filled by the stockholders, be filled only by the affirmative vote of the directors then in office, even though less than a quorum of the Board of Directors. Any director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the class of directors in which the new directorship was created or the vacancy occurred and until such director's successor shall have been elected and qualified.

The affirmative vote of sixty-six and two-thirds percent (66-2/3%) of the voting power of the then outstanding shares of Voting Stock, voting together as a single class, shall be required for the adoption, amendment or repeal of the following sections of the Corporation's Bylaws by the stockholders of the Corporation: 2.2 (Annual Meeting) and 2.3 (Special Meeting).

No action shall be taken by the stockholders of the Corporation except at an annual or special meeting of the stockholders called in accordance with the Bylaws.

Any director, or the entire Board of Directors, may be removed from office at any time (i) with cause by the affirmative vote of the holders of at least a majority of the voting power of all of the then-outstanding shares of the Voting Stock, voting together as a single class; or (ii) without cause by the affirmative vote of the holders of at least sixty-six and two-thirds percent (66-2/3%) of the voting power of all of the then-outstanding shares of the Voting Stock.

EIGHTH: A. To the fullest extent permitted by the Delaware General Corporation Law as the same exists or as may hereafter be amended, a director of the

Corporation or any subsidiary of the Corporation shall not be personally liable to the Corporation or its stockholders and shall otherwise be indemnified by the Corporation for monetary damages for breach of fiduciary duty as a director of the Corporation, any predecessor of the Corporation or any subsidiary of the Corporation.

B. The Corporation shall indemnify to the fullest extent permitted by law any person made or threatened to be made a party to an action or proceeding, whether criminal, civil, administrative or investigative, by reason of the fact that he, his testator or intestate is or was a director or officer of the Corporation, any predecessor of the Corporation or any subsidiary of the Corporation or serves or served at any other enterprise as a director or officer at the request of the Corporation, any predecessor to the Corporation or any subsidiary of the Corporation.

C. Neither any amendment nor repeal of this Article EIGHTH, nor the adoption of any provision of the Corporation's Certificate of Incorporation inconsistent with this Article EIGHTH, shall eliminate or reduce the effect of this Article EIGHTH, in respect of any matter occurring, or any action or proceeding accruing or arising or that, but for this Article EIGHTH, would accrue or arise, prior to such amendment, repeal, or adoption of an inconsistent provision.

NINTH: Notwithstanding any other provisions of this Certificate of Incorporation or any provision of law which might otherwise permit a lesser vote or no vote, but in addition to any affirmative vote of the holders of any particular class or series of the Voting Stock required by law, this Certificate of Incorporation or any rights of designation of Preferred Stock conferred on the Board of Directors pursuant to Article FOURTH, the affirmative vote of the holders of at least sixty-six and two-thirds percent (66-2/3%) of the voting power of all of the then outstanding shares of the Voting Stock, voting together as a single class, shall be required to alter, amend or repeal Article SEVENTH or this Article NINTH.

TENTH: The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, except as provided in Article NINTH of this Certificate, and all rights conferred upon the stockholders herein are granted subject to this right.

ELEVENTH: In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to make, alter, amend or repeal the Bylaws of the Corporation.

TWELFTH: Meetings of stockholders may be held within or without the State of Delaware, as the Bylaws may provide. The books of the Corporation may be kept (subject to any provision contained in the statutes) outside of the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the Bylaws of the Corporation.

THIRTEENTH: Advance written notice of new business and stockholder nominations for the election of directors shall be given in the manner and to the extent provided in the Bylaws of the Corporation.

FOURTEENTH: Stockholders shall not be entitled to cumulative voting rights for the election of directors.

IN WITNESS WHEREOF, Juniper Networks, Inc. has caused this Amended and Restated Certificate of Incorporation to be signed by Scott Kriens, its President, and attested by Lisa C. Berry, its Secretary, this 4th day of May, 2000.

JUNIPER NETWORKS, INC.

/s/ Scott Kriens

Scott Kriens, President

ATTESTED:

/s/ Lisa C. Berry

Lisa C. Berry, Secretary

This Amended and Restated Certificate of Incorporation has been duly adopted by the stockholders of the Corporation in accordance with the provisions of Sections 242 and 245 of the General Corporation Law of the State of Delaware, as amended.

IN WITNESS WHEREOF, Juniper Networks, Inc. has caused this Amended and Restated Certificate of Incorporation to be signed by Scott Kriens, its President, and attested by Lisa C. Berry, its Secretary, this 4th day of May, 2000.

JUNIPER NETWORKS, INC.

/s/ Scott Kriens

Scott Kriens, President

ATTESTED:

/s/ Lisa C. Berry

Lisa C. Berry, Secretary

EXHIBIT 3.2

AMENDED AND RESTATED

BYLAWS

OF

**JUNIPER NETWORKS, INC.
A DELAWARE CORPORATION**

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AMENDED AND RESTATED

BYLAWS

OF

JUNIPER NETWORKS, INC.

ARTICLE I

CORPORATE OFFICES

1.1 REGISTERED OFFICE

The registered office of the Corporation shall be 1209 Orange Street, in the City of Wilmington, County of New Castle, State of Delaware, 19801. The name of the registered agent of the Corporation at such location is The Corporation Trust Company.

1.2 OTHER OFFICES

The board of directors may at any time establish other offices at any place or places where the Corporation is qualified to do business.

ARTICLE II

MEETINGS OF STOCKHOLDERS

2.1 PLACE OF MEETINGS

Meetings of stockholders shall be held at any place, within or outside the State of Delaware, designated by the board of directors. In the absence of any such designation, stockholders' meetings shall be held at the registered office of the Corporation.

2.2 ANNUAL MEETING

The annual meeting of stockholders shall be held each year on a date and at a time designated by the board of directors. At the meeting, directors shall be elected and any other proper business may be transacted.

2.3 SPECIAL MEETING

A special meeting of the stockholders may be called at any time by the
(i) board of directors, (ii) the chairman of the board, (iii) the president, or
(iv) the chief executive officer.

Prior to such time as a Registration Statement regarding the sale of the Corporation's Common Stock to the public is declared effective by the Securities and Exchange Commission, a special meeting of the stockholders may be called at any time by one or more stockholders holding a majority of the outstanding voting shares.

If a special meeting is called by any person other than the board of directors, the request shall be in writing, specifying the time of such meeting and the general nature of the business proposed to be transacted, and shall be delivered personally or sent by registered mail or by telegraphic or other facsimile transmission to the chairman of the board, the president, any vice president, or the secretary of the corporation. No business may be transacted at such special meeting otherwise than specified in such notice. The officer receiving the request shall cause notice to be promptly given to the stockholders entitled to vote, in accordance with the provisions of Sections 2.4 and 2.5 of this Article II, that a meeting will be held at the time requested by the person or persons who called the meeting, not less than thirty-five (35) nor more than sixty (60) days after the receipt of the request. If the notice is not given within twenty (20) days after the receipt of the request, the person or persons requesting the meeting may give the notice. Nothing contained in this paragraph of this

Section 2.3 shall be construed as limiting, fixing, or affecting the time when a meeting of stockholders called by action of the board of directors may be held.

2.4 NOTICE OF STOCKHOLDERS' MEETINGS

All notices of meetings with stockholders shall be in writing and shall be sent or otherwise given in accordance with Section 2.6 of these Bylaws not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder entitled to vote at such meeting. The notice shall specify the place, date and hour of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called.

2.5 ADVANCE NOTICE OF STOCKHOLDER NOMINEES AND STOCKHOLDER BUSINESS

To be properly brought before an annual meeting or special meeting, nominations for the election of director or other business must be (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the board of directors, (b) otherwise properly brought before the meeting by or at the direction of the board of directors, or (c) otherwise properly brought before the meeting by a stockholder. For such nominations or other business to be considered properly brought before the meeting by a stockholder, such stockholder must have given timely written notice and in proper form of his intent to bring such business before such meeting. To be timely, such stockholder's notice must be delivered to or mailed and received by the secretary of the Corporation not less than one hundred twenty (120) days prior to the date of the Corporation's proxy statement released to stockholders in connection with the Corporation's previous year's annual meeting of stockholders. To be in proper form, a stockholder's notice to the secretary shall set forth:

- (i) the name and address of the stockholder who intends to make the nominations, propose the business, and, as the case may be, the name and address of the person or persons to be nominated or the nature of the business to be proposed;
- (ii) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and, if applicable, intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice or introduce the business specified in the notice;
- (iii) if applicable, a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder;
- (iv) such other information regarding each nominee or each matter of business to be proposed by such stockholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission had the nominee been nominated, or intended to be nominated, or the matter been proposed, or intended to be proposed by the board of directors; and
- (v) if applicable, the consent of each nominee to serve as director of the Corporation if so elected.

The chairman of the meeting may refuse to acknowledge the nomination of any person or the proposal of any business not made in compliance with the foregoing procedure.

2.6 MANNER OF GIVING NOTICE; AFFIDAVIT OF NOTICE

Written notice of any meeting of stockholders, if mailed, is given when deposited in the United States mail, postage prepaid, directed to the stockholder at his address as it appears on the records of the Corporation. An affidavit of the secretary or an assistant secretary or of the transfer agent of the Corporation that the notice has been given shall, in the absence of fraud, be prima facie evidence of the facts stated therein.

2.7 QUORUM

The holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute or by the Certificate of Incorporation. If, however, such quorum is not present or

represented at any meeting of the stockholders, then either (i) the chairman of the meeting, or (ii) the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present or represented. At such adjourned meeting at which a quorum is present or represented, any business may be transacted that might have been transacted at the meeting as originally noticed.

When a quorum is present or represented at any meeting, the vote of the holders of a majority of the stock having voting power present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one upon which, by express provisions of the statutes or of the Certificate of Incorporation, a different vote is required, in which case such express provision shall govern and control the decision of the question.

2.8 ADJOURNED MEETING; NOTICE

When a meeting is adjourned to another time or place, unless these Bylaws otherwise require, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the Corporation may transact any business that might have been transacted at the original meeting. If the adjournment is for more than 30 days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

2.9 VOTING

The stockholders entitled to vote at any meeting of stockholders shall be determined in accordance with the provisions of Sections 2.12 and 2.14 of these Bylaws, subject to the provisions of Sections 217 and 218 of the General Corporation Law of Delaware (relating to voting rights of fiduciaries, pledgors and joint owners of stock and to voting trusts and other voting agreements).

Except as may be otherwise provided in the Certificate of Incorporation, each stockholder shall be entitled to one vote for each share of capital stock held by such stockholder.

2.10 WAIVER OF NOTICE

Whenever notice is required to be given under any provision of the General Corporation Law of Delaware or of the Certificate of Incorporation or these Bylaws, a written waiver thereof, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders need be specified in any written waiver of notice unless so required by the Certificate of Incorporation or these Bylaws.

2.11 STOCKHOLDER ACTION BY WRITTEN CONSENT WITHOUT A MEETING

Notwithstanding the following provisions of this Section 2.11, effective upon the listing of the Common Stock of the Corporation on the Nasdaq Stock Market and the registration of any class of securities of the Corporation pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the stockholders of the Corporation may not take action by written consent without a meeting but must take any such actions at a duly called annual or special meeting.

Except as otherwise provided in this Section 2.11, any action required by this chapter to be taken at any annual or special meeting of stockholders of a Corporation, or any action that may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice, and without a vote if a consent in writing, setting forth the action so taken, is signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted.

Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing. If the action which is consented to is such as would have

required the filing of a certificate under any section of the General Corporation Law of Delaware if such action had been voted on by stockholders at a meeting thereof, then the certificate filed under such section shall state, in lieu of any statement required by such section concerning any vote of stockholders, that written notice and written consent have been given as provided in Section 228 of the General Corporation Law of Delaware.

2.12 RECORD DATE FOR STOCKHOLDER NOTICE; VOTING; GIVING CONSENTS

In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the board of directors may fix, in advance, a record date, which shall not be more than 60 nor less than 10 days before the date of such meeting, nor more than 60 days prior to any other action.

If the board of directors does not so fix a record date, the fixing of such record date shall be governed by the provisions of Section 213 of the General Corporation Law of Delaware.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the board of directors may fix a new record date for the adjourned meeting.

2.13 PROXIES

Each stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for him by a written proxy, signed by the stockholder and filed with the secretary of the Corporation, but no such proxy shall be voted or acted upon after 3 years from its date, unless the proxy provides for a longer period. A proxy shall be deemed signed if the stockholder's name is placed on the proxy (whether by manual signature, typewriting, telegraphic transmission or otherwise) by the stockholder or the stockholder's attorney-in-fact. The revocability of a proxy that states on its face that it is irrevocable shall be governed by the provisions of Section 212(c) of the General Corporation Law of Delaware.

2.14 LIST OF STOCKHOLDERS ENTITLED TO VOTE

The officer who has charge of the stock ledger of a Corporation shall prepare and make, at least 10 days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least 10 days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The stock ledger shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present. The stock ledger shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list of stockholders or the books of the Corporation, or to vote in person or by proxy at any meeting of stockholders and of the number of shares held by each such stockholder.

2.15 CONDUCT OF BUSINESS

Meetings of stockholders shall be presided over by the chairman of the board, if any, or in his absence by the president, or in his absence by a vice president, or in the absence of the foregoing persons by a chairman designated by the board of directors, or in the absence of such designation by a chairman chosen at the meeting. The secretary shall act as secretary of the meeting, but in his absence the chairman of the meeting may appoint any person to act as secretary of the meeting. The chairman of any meeting of stockholders shall determine the order of business and the procedures at the meeting, including such matters as the regulation of the manner of voting and conduct of business.

ARTICLE III

DIRECTORS

3.1 POWERS

Subject to the provisions of the General Corporation Law of Delaware and any limitations in the Certificate of Incorporation or these Bylaws relating to action required to be approved by the stockholders or by the outstanding shares, the business and affairs of the Corporation shall be managed and all corporate powers shall be exercised by or under the direction of the board of directors.

3.2 NUMBER

The authorized number of directors of the Corporation shall be seven (7). No reduction of the authorized number of directors shall have the effect of removing any director before that director's term of office expires.

3.3 CLASSES OF DIRECTORS

At such time as a Registration Statement regarding the sale of the Corporation's Common Stock to the public is declared effective by the Securities and Exchange Commission, the Directors shall be divided into three classes designated as Class I, Class II and Class III, respectively. Directors shall be assigned to each class in accordance with a resolution or resolutions adopted by the Board of Directors. At the first annual meeting of stockholders following the closing of the Initial Public Offering, the term of office of the Class I Directors shall expire and Class I Directors shall be elected for a full term of three years. At the second annual meeting of stockholders following the closing of the Initial Public Offering, the term of office of the Class II Directors shall expire and Class II Directors shall be elected for a full term of three years. At the third annual meeting of stockholders following the closing of the Initial Public Offering, the term of office of the Class III Directors shall expire and Class III Directors shall be elected for a full term of three years. At each succeeding annual meeting of stockholders, Directors shall be elected for a full term of three years to succeed the Directors of the class whose terms expire at such annual meeting.

Notwithstanding the foregoing provisions of this Article, each Director shall serve until his successor is duly elected and qualified or until his earlier death, resignation or removal. No decrease in the number of Directors constituting the Board of Directors shall shorten the term of any incumbent Director.

3.4 RESIGNATION AND VACANCIES

Any director may resign at any time upon written notice to the Corporation. Stockholders may remove directors with or without cause. Any vacancy occurring in the board of directors with or without cause may be filled by a majority of the remaining members of the board of directors, although such majority is less than a quorum, or by a plurality of the votes cast at a meeting of stockholders, and each director so elected shall hold office until the expiration of the term of office of the director whom he has replaced.

Unless otherwise provided in the Certificate of Incorporation or these Bylaws:

(i) Vacancies and newly created directorships resulting from any increase in the authorized number of directors elected by all of the stockholders having the right to vote as a single class may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director.

(ii) Whenever the holders of any class or classes of stock or series thereof are entitled to elect one or more directors by the provisions of the Certificate of Incorporation, vacancies and newly created directorships of such class or classes or series may be filled by a majority of the directors elected by such class or classes or series thereof then in office, or by a sole remaining director so elected.

If at any time, by reason of death or resignation or other cause, the Corporation should have no directors in office, then any officer or any stockholder or an executor, administrator, trustee or guardian of a stockholder, or other fiduciary entrusted with like responsibility for the person or estate of a stockholder, may apply to the Court of Chancery for a decree summarily ordering an election as provided in Section 211 of the General Corporation Law of Delaware.

If, at the time of filling any vacancy or any newly created directorship, the directors then in office constitute less than a majority of the whole board (as constituted immediately prior to any such increase), then the Court of Chancery may, upon application of any stockholder or stockholders holding at least 10% of the total number of the shares at the time outstanding having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in office as aforesaid, which election shall be governed by the provisions of Section 211 of the General Corporation Law of Delaware as far as applicable.

3.5 PLACE OF MEETINGS; MEETINGS BY TELEPHONE

The board of directors of the Corporation may hold meetings, both regular and special, either within or outside the State of Delaware.

Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, members of the board of directors, or any committee designated by the board of directors, may participate in a meeting of the board of directors, or any committee, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

3.6 REGULAR MEETINGS

Regular meetings of the board of directors may be held without notice at such time and at such place as shall from time to time be determined by the board.

3.7 SPECIAL MEETINGS; NOTICE

Special meetings of the board of directors for any purpose or purposes may be called at any time by the chairman of the board, the president, any vice president, the secretary or any two directors.

Notice of the time and place of special meetings shall be delivered personally or by telephone to each director or sent by first-class mail or telegram, charges prepaid, addressed to each director at that director's address as it is shown on the records of the Corporation. If the notice is mailed, it shall be deposited in the United States mail at least 4 days before the time of the holding of the meeting. If the notice is delivered personally or by telephone or by telegram, it shall be delivered personally or by telephone or to the telegraph company at least 48 hours before the time of the holding of the meeting. Any oral notice given personally or by telephone may be communicated either to the director or to a person at the office of the director who the person giving the notice has reason to believe will promptly communicate it to the director. The notice need not specify the purpose or the place of the meeting, if the meeting is to be held at the principal executive office of the Corporation.

3.8 QUORUM

At all meetings of the board of directors, a majority of the authorized number of directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the board of directors, except as may be otherwise specifically provided by statute or by the Certificate of Incorporation.

3.9 WAIVER OF NOTICE

Whenever notice is required to be given under any provision of the General Corporation Law of Delaware or of the Certificate of Incorporation or these Bylaws, a written waiver thereof, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the directors, or members of a committee of directors, need be specified in any written waiver of notice unless so required by the Certificate of Incorporation or these Bylaws.

3.10 ADJOURNED MEETING; NOTICE

If a quorum is not present at any meeting of the board of directors, then the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present.

3.11 CONDUCT OF BUSINESS

Meetings of the board of directors shall be presided over by the chairman of the board, if any, or in his absence by the chief executive officer, or in their absence by a chairman chosen at the meeting. The secretary shall act as secretary of the meeting, but in his absence the chairman of the meeting may appoint any person to act as secretary of the meeting. The chairman of any meeting shall determine the order of business and the procedures at the meeting.

3.12 BOARD ACTION BY WRITTEN CONSENT WITHOUT A MEETING

Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the board of directors, or of any committee thereof, may be taken without a meeting if all members of the board or committee, as the case may be, consent thereto in writing and the writing or writings are filed with the minutes of proceedings of the board or committee.

3.13 FEES AND COMPENSATION OF DIRECTORS

Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, the board of directors shall have the authority to fix the compensation of directors. The directors may be paid their expenses, if any, of attendance at each meeting of the board of directors and may be paid a fixed sum for attendance at each meeting of the board of directors or a stated salary as director. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

3.14 REMOVAL OF DIRECTORS

Unless otherwise restricted by statute, by the Certificate of Incorporation or by these Bylaws, any director or the entire board of directors may be removed, with or without cause, by the holders of a majority of the shares then entitled to vote at an election of directors. If at any time a class or series of shares is entitled to elect one or more directors, the provisions of this Article 3.14 shall apply to the vote of that class or series and not to the vote of the outstanding shares as a whole.

ARTICLE IV

COMMITTEES

4.1 COMMITTEES OF DIRECTORS

The board of directors may, by resolution passed by a majority of the whole board, designate one or more committees, with each committee to consist of one or more of the directors of the Corporation. The board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the board of directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the board of directors or in the Bylaws of the Corporation, shall have and may exercise all the powers and authority of the board of directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers that may require it; but no such committee shall have the power or authority to (i) amend the Certificate of Incorporation (except that a committee may, to the extent authorized in the resolution or resolutions providing for the issuance of shares of stock adopted by the board of directors as provided in Section 151(a) of the General Corporation Law of Delaware, fix any of the preferences or rights of such shares relating to dividends, redemption, dissolution, any distribution of assets of the Corporation or the conversion into, or the exchange of such shares for, shares of any other class or classes or any other series of the same or any other class or classes of stock of the Corporation), (ii) adopt an agreement of merger or consolidation under

Sections 251 or 252 of the General Corporation Law of Delaware, (iii) recommend to the stockholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets, (iv) recommend to the stockholders a dissolution of the Corporation or a revocation of a dissolution, or (v) amend the Bylaws of the Corporation; and, unless the board resolution establishing the committee, the Bylaws or the Certificate of Incorporation expressly so provide, no such committee shall have the power or authority to declare a dividend, to authorize the issuance of stock, or to adopt a certificate of ownership and merger pursuant to Section 253 of the General Corporation Law of Delaware.

4.2 COMMITTEE MINUTES

Each committee shall keep regular minutes of its meetings and report the same to the board of directors when required.

4.3 MEETINGS AND ACTION OF COMMITTEES

Meetings and actions of committees shall be governed by, and held and taken in accordance with, the provisions of Article III of these Bylaws, Section

3.5 (place of meetings and meetings by telephone), Section 3.6 (regular meetings), Section 3.7 (special meetings and notice), Section 3.8 (quorum),

Section 3.9 (waiver of notice), Section 3.10 (adjournment and notice of adjournment), Section 3.11 (conduct of business) and 3.12 (action without a meeting), with such changes in the context of those Bylaws as are necessary to substitute the committee and its members for the board of directors and its members; provided, however, that the time of regular meetings of committees may also be called by resolution of the board of directors and that notice of special meetings of committees shall also be given to all alternate members, who shall have the right to attend all meetings of the committee. The board of directors may adopt rules for the government of any committee not inconsistent with the provisions of these Bylaws.

ARTICLE V

OFFICERS

5.1 OFFICERS

The officers of the Corporation shall be a chief executive officer, one or more vice presidents, a secretary and a chief financial officer. The Corporation may also have, at the discretion of the board of directors, a chairman of the board, a president, a chief operating officer, one or more executive, senior or assistant vice presidents, assistant secretaries and any such other officers as may be appointed in accordance with the provisions of

Section 5.2 of these Bylaws. Any number of offices may be held by the same person.

5.2 APPOINTMENT OF OFFICERS

Except as otherwise provided in this Section 5.2, the officers of the Corporation shall be appointed by the board of directors, subject to the rights, if any, of an officer under any contract of employment. The board of directors may appoint, or empower an officer to appoint, such officers and agents of the business as the Corporation may require (whether or not such officer or agent is described in this Article V), each of whom shall hold office for such period, have such authority, and perform such duties as are provided in these Bylaws or as the board of directors may from time to time determine. Any vacancy occurring in any office of the Corporation shall be filled by the board of directors or may be filled by the officer, if any, who appointed such officer.

5.3 REMOVAL AND RESIGNATION OF OFFICERS

Subject to the rights, if any, of an officer under any contract of employment, any officer may be removed, either with or without cause, by an affirmative vote of the majority of the board of directors at any regular or special meeting of the board or, except in the case of an officer chosen by the board of directors, by any officer upon whom such power of removal may be conferred by the board of directors or, in the case of an officer appointed by another officer, by such other officer.

Any officer may resign at any time by giving written notice to the Corporation. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice,

the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the Corporation under any contract to which the officer is a party.

5.4 CHAIRMAN OF THE BOARD

The chairman of the board, if such an officer be elected, shall, if present, preside at meetings of the board of directors and exercise and perform such other powers and duties as may from time to time be assigned to him by the board of directors or as may be prescribed by these Bylaws. If there is no chief executive officer, then the chairman of the board shall also be the chief executive officer of the Corporation and shall have the powers and duties prescribed in Section 5.5 of these Bylaws.

5.5 CHIEF EXECUTIVE OFFICER

The Chief Executive Officer of the Corporation shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business and the officers of the Corporation. He or she shall preside at all meetings of the stockholders and, in the absence or nonexistence of a Chairman of the Board at all meetings of the Board of Directors. He or she shall have the general powers and duties of management usually vested in the chief executive officer of a Corporation, including general supervision, direction and control of the business and supervision of other officers of the Corporation, and shall have such other powers and duties as may be prescribed by the Board of Directors or these Bylaws.

The Chief Executive Officer shall, without limitation, have the authority to execute bonds, mortgages and other contracts requiring a seal, under the seal of the Corporation, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the Board of Directors to some other officer or agent of the Corporation.

5.6 PRESIDENT

Subject to such supervisory powers as may be given by these Bylaws or the Board of Directors to the Chairman of the Board or the Chief Executive Officer, if there be such officers, the president shall have general supervision, direction and control of the business and supervision of other officers of the Corporation, and shall have such other powers and duties as may be prescribed by the Board of Directors or these Bylaws. In the event a Chief Executive Officer shall not be appointed, the President shall have the duties of such office.

5.7 VICE PRESIDENT

In the absence or disability of the president, the vice presidents, if any, in order of their rank as fixed by the board of directors or, if not ranked, a vice president designated by the board of directors, shall perform all the duties of the chief executive officer and when so acting shall have all the powers of, and be subject to all the restrictions upon, the chief executive officer. The vice presidents shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the board of directors, these Bylaws, the chief executive officer or the chairman of the board.

5.8 SECRETARY

The secretary shall keep or cause to be kept, at the principal executive office of the Corporation or such other place as the board of directors may direct, a book of minutes of all meetings and actions of directors, committees of directors, and stockholders. The minutes shall show the time and place of each meeting, whether regular or special (and, if special, how authorized and the notice given), the names of those present at directors' meetings or committee meetings, the number of shares present or represented at stockholders' meetings, and the proceedings thereof.

The secretary shall keep, or cause to be kept, at the principal executive office of the Corporation or at the office of the Corporation's transfer agent or registrar, as determined by resolution of the board of directors, a share register, or a duplicate share register, showing the names of all stockholders and their addresses, the number and classes of shares held by each, the number and date of certificates evidencing such shares, and the number and date of cancellation of every certificate surrendered for cancellation.

The secretary shall give, or cause to be given, notice of all meetings of the stockholders and of the board of directors required to be given by law or by these Bylaws. He shall keep the seal of the Corporation, if one be adopted, in safe custody and shall have such other powers and perform such other duties as may be prescribed by the board of directors or by these Bylaws.

5.9 CHIEF FINANCIAL OFFICER

The chief financial officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of the Corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings and shares. The books of account shall at all reasonable times be open to inspection by any director.

The chief financial officer shall deposit all money and other valuables in the name and to the credit of the Corporation with such depositaries as may be designated by the board of directors. He shall disburse the funds of the Corporation as may be ordered by the board of directors, shall render to the chief executive officer and directors, whenever they request it, an account of all of his transactions as treasurer and of the financial condition of the Corporation, and shall have such other powers and perform such other duties as may be prescribed by the board of directors or these Bylaws.

5.10 ASSISTANT SECRETARY

The assistant secretary, or, if there is more than one, the assistant secretaries in the order determined by the stockholders or board of directors (or if there be no such determination, then in the order of their election) shall, in the absence of the secretary or in the event of his or her inability or refusal to act, perform the duties and exercise the powers of the secretary and shall perform such other duties and have such other powers as the board of directors or the stockholders may from time to time prescribe.

5.11 AUTHORITY AND DUTIES OF OFFICERS

In addition to the foregoing authority and duties, all officers of the Corporation shall respectively have such authority and perform such duties in the management of the business of the Corporation as may be designated from time to time by the board of directors or the stockholders.

ARTICLE VI

INDEMNITY

6.1 THIRD PARTY ACTIONS

The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by an agent of the Corporation), or is or was serving at the request of the Corporation, any predecessor of the Corporation, or any subsidiary of the Corporation, as a director or officer of another corporation, partnership, joint venture trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, any predecessor of the Corporation, or any subsidiary of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interest of the Corporation, any predecessor of the Corporation, or any subsidiary of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

The Corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other

than an action by an agent of the Corporation), or is or was serving at the request of the Corporation, any predecessor of the Corporation, or any subsidiary of the Corporation, as an employee or agent of another corporation, partnership, joint venture trust or other enterprise, against expenses (including attorney's fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, any predecessor of the Corporation, or any subsidiary of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interest of the Corporation, any predecessor of the Corporation, or any subsidiary of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

6.2 ACTIONS BY OR IN THE RIGHT OF THE CORPORATION

The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation, any predecessor of the Corporation, or any subsidiary of the Corporation, to procure a judgment in its favor by reason of the fact that he is or was a director or officer of Corporation, any predecessor of the Corporation, or any subsidiary of the Corporation, or is or was serving at the request of the Corporation, any predecessor of the Corporation, or any subsidiary of the Corporation, as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in manner he reasonably believed to be in or not opposed to the best interests of the Corporation, any predecessor of the Corporation, or any subsidiary of the Corporation, and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation, any predecessor of the Corporation, or any subsidiary of the Corporation, unless and only to the extent that the Delaware Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Delaware Court of Chancery or such other court shall deem proper.

The Corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation, any predecessor of the Corporation, or any subsidiary of the Corporation, to procure a judgment in its favor by reason of the fact that he is or was an employee or agent of the Corporation, any predecessor of the Corporation, or any subsidiary of the Corporation, or is or was serving at the request of the Corporation, any predecessor of the Corporation, or any subsidiary of the Corporation, as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorney's fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in manner he reasonably believed to be in or not opposed to the best interests of the Corporation, any predecessor of the Corporation, or any subsidiary of the Corporation, and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation, any predecessor of the Corporation, or any subsidiary of the Corporation, unless and only to the extent that the Delaware Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Delaware Court of Chancery or such other court shall deem proper.

6.3 SUCCESSFUL DEFENSE

To the extent that a director, officer, employee or agent of the Corporation, any predecessor of the Corporation, or any subsidiary of the Corporation, has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Sections 6.1 and 6.2, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

6.4 DETERMINATION OF CONDUCT

Any indemnification under Sections 6.1 and 6.2 (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that the indemnification of the director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in Sections 6.1 and 6.2. Such determination shall be made (1) by the board of Directors or the Executive Committee by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (2) or if such quorum is not obtainable or, even if obtainable, a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (3) by the stockholders.

6.5 PAYMENT OF EXPENSES IN ADVANCE

Expenses incurred in defending a civil or criminal action, suit or proceeding shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the director, officer, employee or agent to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Corporation as authorized in this Article VI.

6.6 INDEMNITY NOT EXCLUSIVE

The indemnification and advancement of expenses provided or granted pursuant to the other subsections of this section shall not be deemed exclusive of any other rights or limiting any other rights to which those seeking indemnification or advancement of expenses may be entitled under any by-law, certificate of incorporation, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another while holding such office.

6.7 INSURANCE INDEMNIFICATION

The Corporation shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, any predecessor of the Corporation, or any subsidiary of the Corporation, or is or was serving at the request of the Corporation, as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the provisions of this Article VI.

6.8 THE CORPORATION

For purposes of this Article VI, references to "the Corporation" shall include, in addition to the resulting Corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, and employees or agents, so that any person who is was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under and subject to the provisions of this Article VI (including, without limitation the provisions of Section 6.4) with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued.

6.9 EMPLOYEE BENEFIT PLANS

For purposes of this Article VI, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the Corporation" shall include any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves services by, such director, officer, employee, or agent with respect to an employee benefit plan, its participants, or beneficiaries; and a person who acted in good faith and in a manner he reasonably deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in this Article VI.

6.10 CONTINUATION OF INDEMNIFICATION AND ADVANCEMENT OF EXPENSES

The indemnification and advanced of expenses provided by, or granted pursuant to, this Article VI shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

ARTICLE VII

RECORDS AND REPORTS

7.1 MAINTENANCE AND INSPECTION OF RECORDS

The Corporation shall, either at its principal executive office or at such place or places as designated by the board of directors, keep a record of its stockholders listing their names and addresses and the number and class of shares held by each stockholder, a copy of these Bylaws as amended to date, accounting books, and other records.

Any stockholder of record, in person or by attorney or other agent, shall, upon written demand under oath stating the purpose thereof, have the right during the usual hours for business to inspect for any proper purpose the Corporation's stock ledger, a list of its stockholders, and its other books and records and to make copies or extracts therefrom. A proper purpose shall mean a purpose reasonably related to such person's interest as a stockholder. In every instance where an attorney or other agent is the person who seeks the right to inspection, the demand under oath shall be accompanied by a power of attorney or such other writing that authorizes the attorney or other agent to so act on behalf of the stockholder. The demand under oath shall be directed to the Corporation at its registered office in Delaware or at its principal place of business.

7.2 INSPECTION BY DIRECTORS

Any director shall have the right to examine the Corporation's stock ledger, a list of its stockholders and its other books and records for a purpose reasonably related to his position as a director. The Court of Chancery is hereby vested with the exclusive jurisdiction to determine whether a director is entitled to the inspection sought. The Court may summarily order the Corporation to permit the director to inspect any and all books and records, the stock ledger, and the stock list and to make copies or extracts therefrom. The Court may, in its discretion, prescribe any limitations or conditions with reference to the inspection, or award such other and further relief as the Court may deem just and proper.

7.3 REPRESENTATION OF SHARES OF OTHER CORPORATIONS

The chairman of the board, the chief executive officer, any vice president, the chief financial officer, the secretary or assistant secretary of this Corporation, or any other person authorized by the board of directors or the chief executive officer or a vice president, is authorized to vote, represent, and exercise on behalf of this Corporation all rights incident to any and all shares of any other corporation or corporations standing in the name of this Corporation. The authority granted herein may be exercised either by such person directly or by any other person authorized to do so by proxy or power of attorney duly executed by such person having the authority.

ARTICLE VIII

GENERAL MATTERS

8.1 CHECKS

From time to time, the board of directors shall determine by resolution which person or persons may sign or endorse all checks, drafts, other orders for payment of money, notes or other evidences of indebtedness that are issued in the name of or payable to the Corporation, and only the persons so authorized shall sign or endorse those instruments.

8.2 EXECUTION OF CORPORATE CONTRACTS AND INSTRUMENTS

The board of directors, except as otherwise provided in these Bylaws, may authorize any officer or officers, or agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the Corporation; such authority may be general or confined to specific instances. Unless so authorized or ratified by the board of directors or

within the agency power of an officer, no officer, agent or employee shall have any power or authority to bind the Corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

8.3 STOCK CERTIFICATES; PARTLY PAID SHARES

The shares of a corporation shall be represented by certificates, provided that the board of directors of the Corporation may provide by resolution or resolutions that some or all of any or all classes or series of its stock shall be uncertificated shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the Corporation. Notwithstanding the adoption of such a resolution by the board of directors, every holder of stock represented by certificates and upon request every holder of uncertificated shares shall be entitled to have a certificate signed by, or in the name of the Corporation by the chairman or vice-chairman of the board of directors, or the president or vice-president, and by the treasurer or an assistant treasurer, or the secretary or an assistant secretary of such Corporation representing the number of shares registered in certificate form. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate has to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

The Corporation may issue the whole or any part of its shares as partly paid and subject to call for the remainder of the consideration to be paid therefor. Upon the face or back of each stock certificate issued to represent any such partly paid shares, upon the books and records of the Corporation in the case of uncertificated partly paid shares, the total amount of the consideration to be paid therefor and the amount paid thereon shall be stated. Upon the declaration of any dividend on fully paid shares, the Corporation shall declare a dividend upon partly paid shares of the same class, but only upon the basis of the percentage of the consideration actually paid thereon.

8.4 SPECIAL DESIGNATION ON CERTIFICATES

If the Corporation is authorized to issue more than one class of stock or more than one series of any class, then the powers, the designations, the preferences, and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and "or rights shall be set forth in full or summarized on the face or back of the certificate that the Corporation shall issue to represent such class or series of stock; provided, however, that, except as otherwise provided in Section 202 of the General Corporation Law of Delaware, in lieu of the foregoing requirements there may be set forth on the face or back of the certificate that the Corporation shall issue to represent such class or series of stock a statement that the Corporation will furnish without charge to each stockholder who so requests the powers, the designations, the preferences, and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and "or rights.

8.5 LOST CERTIFICATES

Except as provided in this Section 8.5, no new certificates for shares shall be issued to replace a previously issued certificate unless the latter is surrendered to the Corporation and cancelled at the same time. The Corporation may issue a new certificate of stock or uncertificated shares in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the Corporation may require the owner of the lost, stolen or destroyed certificate, or his legal representative, to give the Corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate or uncertificated shares.

8.6 CONSTRUCTION; DEFINITIONS

Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the Delaware General Corporation Law shall govern the construction of these Bylaws. Without limiting the generality of this provision, the singular number includes the plural, the plural number includes the singular, and the term "person" includes both a Corporation and a natural person.

8.7 DIVIDENDS

The directors of the Corporation, subject to any restrictions contained in the Certificate of Incorporation, may declare and pay dividends upon the shares of its capital stock pursuant to the General Corporation Law of Delaware. Dividends may be paid in cash, in property, or in shares of the Corporation's capital stock.

The directors of the Corporation may set apart out of any of the funds of the Corporation available for dividends a reserve or reserves for any proper purpose and may abolish any such reserve. Such purposes shall include but not be limited to equalizing dividends, repairing or maintaining any property of the Corporation, and meeting contingencies.

8.8 FISCAL YEAR

The fiscal year of the Corporation shall be fixed by resolution of the board of directors and may be changed by the board of directors.

8.9 SEAL

The Corporation may adopt a corporate seal, which may be altered at pleasure, and may use the same by causing it or a facsimile thereof to be impressed or affixed or in any other manner reproduced.

8.10 TRANSFER OF STOCK

Upon surrender to the Corporation or the transfer agent of the Corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignation or authority to transfer, it shall be the duty of the Corporation to issue a new certificate to the person entitled thereto, cancel the old certificate, and record the transaction in its books.

8.11 STOCK TRANSFER AGREEMENTS

The Corporation shall have power to enter into and perform any agreement with any number of stockholders of any one or more classes of stock of the Corporation to restrict the transfer of shares of stock of the Corporation of any one or more classes owned by such stockholders in any manner not prohibited by the General Corporation Law of Delaware.

8.12 REGISTERED STOCKHOLDERS

The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends and to vote as such owner, shall be entitled to hold liable for calls and assessments the person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of another person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

ARTICLE IX

AMENDMENTS

The original or other Bylaws of the Corporation may be adopted, amended or repealed by the stockholders entitled to vote; provided, however, that the Corporation may, in its Certificate of Incorporation, confer the power to adopt, amend or repeal Bylaws upon the directors. The fact that such power has been so conferred upon the directors shall not divest the stockholders of the power, nor limit their power to adopt, amend or repeal Bylaws.

ARTICLE X

DISSOLUTION

If it should be deemed advisable in the judgment of the board of directors of the Corporation that the Corporation should be dissolved, the board, after the adoption of a resolution to that effect by a majority of the whole board at any meeting called for that purpose, shall cause notice to be mailed to each stockholder entitled to vote thereon of the adoption of the resolution and of a meeting of stockholders to take action upon the resolution.

At the meeting a vote shall be taken for and against the proposed dissolution. If a majority of the outstanding stock of the Corporation entitled to vote thereon votes for the proposed dissolution, then a certificate stating that the dissolution has been authorized in accordance with the provisions of

Section 275 of the General Corporation Law of Delaware and setting forth the names and residences of the directors and officers shall be executed, acknowledged, and filed and shall become effective in accordance with Section 103 of the General Corporation Law of Delaware. Upon such certificate's becoming effective in accordance with Section 103 of the General Corporation Law of Delaware, the Corporation shall be dissolved.

ARTICLE XI

CUSTODIAN

11.1 APPOINTMENT OF A CUSTODIAN IN CERTAIN CASES

The Court of Chancery, upon application of any stockholder, may appoint one or more persons to be custodians and, if the Corporation is insolvent, to be receivers, of and for the Corporation when:

- (i) at any meeting held for the election of directors the stockholders are so divided that they have failed to elect successors to directors whose terms have expired or would have expired upon qualification of their successors; or
- (ii) the business of the Corporation is suffering or is threatened with irreparable injury because the directors are so divided respecting the management of the affairs of the Corporation that the required vote for action by the board of directors cannot be obtained and the stockholders are unable to terminate this division; or
- (iii) the Corporation has abandoned its business and has failed within a reasonable time to take steps to dissolve, liquidate or distribute its assets.

11.2 DUTIES OF CUSTODIAN

The custodian shall have all the powers and title of a receiver appointed under Section 291 of the General Corporation Law of Delaware, but the authority of the custodian shall be to continue the business of the Corporation and not to liquidate its affairs and distribute its assets, except when the Court of Chancery otherwise orders and except in cases arising under Sections 226(a)(3) or 352(a)(2) of the General Corporation Law of Delaware.

ARTICLE XII

LOANS TO OFFICERS

The Corporation may lend money to, or guarantee any obligation of, or otherwise assist any officer or other employee of the Corporation or of its subsidiaries, including any officer or employee who is a Director of the Corporation or its subsidiaries, whenever, in the judgment of the Board of Directors, such loan, guarantee or assistance may reasonably be expected to benefit the Corporation. The loan, guarantee or other assistance may be with or without interest and may be unsecured, or secured in such manner as the Board of Directors shall approve, including, without limitation, a pledge of shares of stock of the Corporation. Nothing in this Bylaw shall be deemed to deny, limit or restrict the powers of guaranty or warranty of the Corporation at common law or under any statute.

EXHIBIT 10.9

LEASE

BY AND BETWEEN

**MATHILDA ASSOCIATES LLC,
A CALIFORNIA LIMITED LIABILITY COMPANY**

AS LANDLORD

AND

**JUNIPER NETWORKS, INC.,
A DELAWARE CORPORATION**

AS TENANT

FEBRUARY 1, 2000

LEASE

THIS LEASE, dated February 1, 2000 for reference purposes only, is made by and between MATHILDA ASSOCIATES LLC, a California limited liability company ("Landlord") and JUNIPER NETWORKS, INC., a Delaware corporation ("Tenant"), to be effective and binding upon the parties as of the date the last of the designated signatories to this Lease shall have executed this Lease (the "Effective Date of this Lease").

ARTICLE 1

REFERENCE

1.1 REFERENCES. All references in this Lease (subject to any further clarifications contained in this Lease) to the following terms shall have the following meaning or refer to the respective address, person, date, time period, amount, percentage, calendar year or fiscal year as below set forth:

Tenant's Address for Notice:	Prior to May 1, 2000: Juniper Networks, Inc. 385 Ravendale Drive Mountain View, California 94043 After May 1, 2000: 1194 Mathilda Avenue Sunnyvale, California 94089
Tenant's Representative:	General Counsel
Landlord's Address for Notices:	c/o Menlo Equities LLC 525 University Avenue Suite 100 Palo Alto, California 94301
Landlord's Representative: Phone Number:	Henry Bullock/Richard Holmstrom (650) 326-9300
Intended Delivery Date:	May 1, 2001
Intended Commencement Date:	August 1, 2001
Lease Term:	Twelve (12) years
Lease Expiration Date:	Twelve (12) Years from the Lease Commencement Date, unless earlier terminated in accordance with the terms of this Lease, or extended by Tenant pursuant to Article 15.
Options to Renew:	Two (2) option(s) to renew, each for a term of five (5) years.
First Month's Prepaid Rent:	\$327,888.58 (applied to the first month in which Base Monthly Rent is due)
Tenant's Security Deposit:	\$1,000,000, subject to adjustment pursuant to Paragraph 3.7
Late Charge Amount:	Five Percent (5%) of the Delinquent Amount
Tenant's Required Liability Coverage:	\$3,000,000 Combined Single Limit
Tenant's Broker:	Joan Haynes and Steve Gibson of Colliers International
Landlord's Broker:	Don Reimann, Gregg Von Thaden and Jon Condrey of Colliers International
Property:	That certain real property situated in the City of Sunnyvale, County of Santa Clara, State of California, to be improved with two (2) building(s), which real property is shown on the Site Plan attached hereto as Exhibit "A" and is commonly known as or otherwise

described as follows: Mathilda
Research Centre.

Building:

That certain building on the
Property in which the Leased
Premises are located commonly known
as 1184 Mathilda Avenue (the
"Building"), which Building is shown
outlined on

Exhibit "A" hereto (designated as Building B). The other building on the Property located at 1194 Mathilda Avenue is referred to herein as the "1194 Building."

Outside Areas:

The "Outside Areas" shall mean all areas which are located outside of and contiguous to the Building, as shown the Site Plan attached as Exhibit A, such as pedestrian walkways, parking areas, landscaped area, open areas and enclosed trash disposal areas.

Leased Premises:

All the interior space within the Building, including stairwells, connecting walkways, and atriums, to consist of approximately rentable 122,435 square feet and, for purposes of this Lease, agreed to contain said number of square feet.

Tenant's Expense Share:

The term "Tenant's Expense Share" shall mean the percentage obtained by dividing the rentable square footage of the Leased Premises at the time of calculation by the rentable square footage of the Building. Such percentage is currently 100%. In the event that the rentable square footage of the Leased Premises is changed, Tenant's Expense Share shall be recalculated to equal the percentage described in the first sentence of this paragraph, so that the aggregate Tenant's Expense Share of all tenants of the Building shall equal 100%.

Tenant's Property Share:

The term "Tenant's Property Share" shall mean the percentage obtained by dividing the rentable square footage of the Leased Premises at the time of calculation by the rentable square footage of all buildings currently located or to be located on the Property. Such percentage is currently 46%. In the event that any portion of the Property is sold by Landlord, or the rentable square footage of the Leased Premises or the Property is otherwise changed, Tenant's Property Share shall be recalculated to equal the percentage described in the first sentence of this paragraph, so that the aggregate Tenant's Property Share of all tenants of the Property shall equal 100%.

Base Monthly Rent:

The term "Base Monthly Rent" shall

mean the following:

Period	Monthly Amount
-----	-----
8/1/01-7/31/02	\$327,888.58

At the end of the 12th month after the actual Lease Commencement Date and at the end of each 12 month period thereafter (until the Lease Expiration Date), Base Monthly Rent shall be increased at a rate of 3.5% per annum compounded annually.

Permitted Use:

General Office, research and

development, marketing, sales,
manufacturing, distribution,
warehouse and other related lawful
uses.

Exhibits:

The term "Exhibits" shall mean the
Exhibits of this Lease which are
described as follows:

Exhibit "A" -- Site Plan showing the
Property, the Outside Areas and
delineating the Building in which
the Leased Premises are to be
located.

Exhibit "B" -- Work Letter

Exhibit "C" -- Lease Commencement
Date Certificate

Exhibit "D" -- Form of Tenant
Estoppel Certificate

Exhibit "E" -- Form of Letter of
Credit

Exhibit "F" -- Form of Landlord
Waiver

ARTICLE 2

LEASED PREMISES, TERM AND POSSESSION

2.1 DEMISE OF LEASED PREMISES. Landlord hereby leases to Tenant and Tenant hereby leases from Landlord, for the Lease Term and upon the terms and subject to the conditions of this Lease, that certain interior space described in Article 1 as the Leased Premises, reserving and excepting to Landlord the right to fifty percent (50%) of all assignment consideration and excess rentals as provided in Article 7 below. Tenant's lease of the Leased Premises, together with the appurtenant right to use the Outside Areas as described in Paragraph 2.2 below, shall be conditioned upon and be subject to the continuing compliance by Tenant with (i) all the terms and conditions of this Lease, (ii) all Laws governing the use of the Leased Premises and the Property, (iii) all Private Restrictions, easements and other matters now of public record respecting the use of the Leased Premises and Property, and (iv) all reasonable rules and regulations from time to time established by Landlord.

2.2 RIGHT TO USE OUTSIDE AREAS. As an appurtenant right to Tenant's right to the use and occupancy of the Leased Premises, Tenant shall have the right to use the Outside Areas in conjunction with its use of the Leased Premises solely for the purposes for which they were designated and intended and for no other purposes whatsoever. Tenant's right to so use the Outside Areas shall be subject to the limitations on such use as set forth in Article 1 and shall terminate concurrently with any termination of this Lease.

2.3 LEASE COMMENCEMENT DATE AND LEASE TERM. Subject to Paragraph 2.4 below, the term of this Lease shall begin, and the Lease Commencement Date shall be deemed to have occurred on the Intended Commencement Date, subject to Paragraph 2.4 below. The term of this Lease shall in all events end on the Lease Expiration Date (as set forth in Article 1). The Lease Term shall be that period of time commencing on the Lease Commencement Date and ending on the Lease Expiration Date (the "Lease Term"). In the event the actual Lease Commencement Date is different than the Intended Commencement Date, Landlord and Tenant agree to execute a Lease Commencement Date Certificate in the form attached as Exhibit C setting forth the actual Lease Commencement Date and the Lease Expiration Date (such that the length of the Lease Term is the same as set forth in Article 1) and an adjustment to the schedule of Base Monthly Rent to reflect the change in the Lease Commencement Date and Lease Expiration Date.

2.4 DELIVERY OF POSSESSION. Landlord shall deliver to Tenant possession of the Leased Premises upon Substantial Completion of the Tenant Improvements as that term is defined in the Work Letter attached hereto as Exhibit B and made a part of this Lease (the "Work Letter"). The date that the Leased Premises are so delivered to the Tenant shall be deemed the "Delivery Date." If Landlord is unable to so deliver possession of the Leased Premises to Tenant in the agreed condition on or before the Intended Delivery Date, Landlord shall have until the date that is thirty (30) days after the Intended Delivery Date (the "Delivery Grace Period") to deliver the Leased Premises. Additionally, the Delivery Grace Period above set forth shall be extended for such number of days as Landlord may be delayed in delivering possession of the Leased Premises to Tenant by reason of Force Majeure or the action or inaction of Tenant. If Landlord is unable to deliver possession of the Leased Premises in the agreed condition to Tenant within the Delivery Grace Period (including any extension thereof by reason of Force Majeure or the actions or inactions of Tenant), then Tenant shall receive as its sole remedy a credit of two (2) days of free rent for each day that the Leased Premises are not delivered to Tenant after expiration of the Delivery Grace Period (including any extension thereof by reason of Force Majeure or the actions or inactions of Tenant), which free rent shall apply to the first month in which Base Monthly Rent is due. If Landlord is unable to deliver possession of the Leased Premises in the agreed condition to Tenant within sixty (60) days after the expiration of the Delivery Grace Period (including any extension thereof by reason of Force Majeure or the actions or inactions of Tenant), Tenant may choose, as its sole remedy, to terminate this Lease, and in the event of such termination Landlord shall not be liable in damages to Tenant for any delay. Tenant may not terminate this Lease at any time after the date Landlord notifies Tenant that the Leased Premises have been put into the agreed condition and are available for delivery to Tenant, unless Landlord's notice is not given in good faith. Tenant may occupy the Leased Premises commencing on the Delivery Date for the Permitted Use, and for purposes of installing furniture, fixtures and equipment, provided that Tenant shall be responsible for Additional Rent during such period and Tenant shall comply with all other provisions of this Lease (other than the payment of Base Monthly Rent).

2.5 PERFORMANCE OF TENANT IMPROVEMENTS; ACCEPTANCE OF POSSESSION. Landlord shall, pursuant to the Work Letter, perform the work and make the installations in the Leased Premises substantially as set forth in the Work Letter (such work and installations hereinafter referred to as the "Tenant Improvements"). It is agreed that by occupying the Leased Premises, Tenant formally accepts same and acknowledges that the Leased Premises are in the condition called for hereunder, subject to reasonable punchlist items and latent defects specified by Tenant to Landlord in writing within ten (10) days of such occupancy.

2.6 SURRENDER OF POSSESSION. Immediately prior to the expiration or upon the sooner termination of this Lease, Tenant shall remove all of Tenant's signs from the exterior of the Building and shall remove all of Tenant's equipment, trade fixtures, furniture, supplies, wall decorations and other personal property from within the Leased Premises, the Building and the Outside Areas, and shall vacate and surrender the Leased Premises, the Building, the Outside Areas and the Property to Landlord in the same condition, broom clean, as existed at the Lease Commencement Date, damage by casualty or condemnation (which events shall be governed by Articles 10 and 11) and reasonable wear and tear excepted. Except for such reasonable wear and tear, Tenant shall (i) repair all damage to the Leased Premises, the exterior of the Building and the Outside Areas caused by Tenant's removal of Tenant's property, (ii) patch and refinish, to Landlord's reasonable satisfaction, all penetrations made by Tenant or its employees to the roof, floor, interior or exterior walls or ceiling of the Leased Premises and the Building, whether

such penetrations were made with Landlord's approval or not, (iii) repair or replace all stained or damaged ceiling tiles, wall coverings and floor coverings to the reasonable satisfaction of Landlord, (iv) repair all damage caused by Tenant to the exterior surface of the Building and the paved surfaces of the Outside Areas and, where necessary, replace or resurface same. Additionally, to the extent that Landlord shall have notified or is deemed to have notified Tenant in writing at the time the improvements were completed that it desired to have certain improvements made by Tenant or at the request of Tenant removed at the expiration or sooner termination of the Lease, Tenant shall, upon the expiration or sooner termination of the Lease, remove any such improvements constructed or installed by Landlord or Tenant and repair all damage caused by such removal; provided however, Tenant shall not be required to remove the Tenant Improvements installed pursuant to the Work Letter. If the Leased Premises, the Building, the Outside Areas and the Property are not surrendered to Landlord in the condition required by this paragraph at the expiration or sooner termination of this Lease, Landlord may, at Tenant's expense, so remove Tenant's signs, property and/or improvements not so removed and make such repairs and replacements not so made or hire, at Tenant's expense, independent contractors to perform such work. Tenant shall be liable to Landlord for all costs incurred by Landlord in returning the Leased Premises, the Building and the Outside Areas to the required condition, together with interest on all costs so incurred from the date paid by Landlord at the then maximum rate of interest not prohibited or made usurious by law until paid. Tenant shall pay to Landlord the amount of all costs so incurred plus such interest thereon, within ten (10) days of Landlord's billing Tenant for same. Tenant shall indemnify Landlord against loss or liability resulting from delay by Tenant in surrendering the Leased Premises, including, without limitation, any claims made by any succeeding Tenant or any losses to Landlord with respect to lost opportunities to lease to succeeding tenants.

ARTICLE 3

RENT, LATE CHARGES AND SECURITY DEPOSITS

3.1 BASE MONTHLY RENT. Commencing on the Lease Commencement Date (as determined pursuant to Paragraph 2.3 above) and continuing throughout the Lease Term, Tenant shall pay to Landlord, without prior demand therefor, in advance on the first day of each calendar month, the amount set forth as "Base Monthly Rent" in Article 1 (the "Base Monthly Rent").

3.2 ADDITIONAL RENT. Commencing on the Lease Commencement Date (as determined pursuant to Paragraph 2.3 above) and continuing throughout the Lease Term, in addition to the Base Monthly Rent and to the extent not required by Landlord to be contracted for and paid directly by Tenant, Tenant shall pay to Landlord as additional rent (the "Additional Rent") the following amounts:

(a) An amount equal to all Property Operating Expenses (as defined in Article 13) incurred by Landlord. Payment shall be made by whichever of the following methods (or combination of methods) is (are) from time to time designated by Landlord:

(i) Landlord may forward invoices or bills for such expenses to Tenant, and Tenant shall, no later than thirty (30) days following receipt of any such invoices or bills, pay such invoices or bills and deliver satisfactory evidence of such payment to Landlord, and/or

(ii) Landlord may bill to Tenant, on a periodic basis not more frequently than monthly, the amount of such expenses (or group of expenses) as paid or incurred by Landlord, and Tenant shall pay to Landlord the amount of such expenses within thirty (30) days after receipt of a written bill therefor from Landlord, and/or

(iii) Landlord may deliver to Tenant Landlord's reasonable estimate of any given expense (such as Landlord's Insurance Costs or Real Property Taxes), or group of expenses, which it anticipates will be paid or incurred for the ensuing calendar or fiscal year, as Landlord may determine, and Tenant shall pay to Landlord an amount equal to the estimated amount of such expenses for such year in equal monthly installments during such year with the installments of Base Monthly Rent.

Landlord reserves the right to change from time to time the methods of billing Tenant for any given expense or group of expenses or the periodic basis on which such expenses are billed.

(b) Landlord's share of the consideration received by Tenant upon certain assignments and sublettings as required by Article 7.

(c) Any legal fees and costs that Tenant is obligated to pay or reimburse to Landlord pursuant to Article 13; and

(d) Any other charges or reimbursements due Landlord from Tenant pursuant to the terms of this Lease.

Notwithstanding the foregoing, Landlord may elect by thirty (30) days prior written notice to Tenant (provided such written notice is received by Tenant at least thirty (30) days prior to delinquency) to have Tenant pay Real Property Taxes or any portion thereof directly to the applicable taxing authority, in which case Tenant shall make such payments and deliver satisfactory evidence of payment to Landlord no later than ten (10) days before such Real Property Taxes become delinquent.

Tenant may cause an audit of Landlord's books and records to determine the accuracy of Landlord's billings for Property Operating Expenses under this Lease, provided Tenant commences such audit within sixty (60) days after Tenant's receipt of the year-end statement described in Section 3.3 above setting forth the annual reconciliation of

the Property Operating Expenses or any change in estimated monthly expenses under Section 3.2(a)(iii) above. If such audit reveals that the actual Property Operating Expenses for any given year were less than the amount that Tenant paid for Property Operating Expenses for any such year, then Landlord shall pay to Tenant the excess. If such audit reveals a discrepancy of more than three (3%) percent of the actual amount of any Property Operating Expenses charges, then Landlord shall pay the cost of the audit.

Additionally, Tenant shall have the right, by appropriate proceedings, to protest or contest any assessment, reassessment or allocation of Real Property Taxes or any change therein or any application of any Law to the Leased Premises or Tenant's use thereof. Landlord will reasonably cooperate with Tenant in the contest or proceedings. If Tenant does not pay the Real Property Taxes when due which are the subject of such protest or contest, Tenant shall post a bond in lieu thereof in an amount reasonably determined by Landlord but not less than one hundred twenty-five percent (125%) of the amount demanded by the taxing authorities which holds Landlord and the Property harmless from any damage arising out of the contest and ensuring the payment of any judgment that may be rendered. With respect to any contest of Real Property Taxes or Laws conducted by Tenant, Tenant shall hold Landlord and the Property harmless from any damage arising out of such protest or contest and shall pay any judgment that may be rendered in connection with such contest or protest. Any protest or contest conducted by Tenant under this paragraph shall be at Tenant's expense and if interest or late charges become payable as a result of such contest or protest, Tenant shall pay the same. Tenant shall receive a proportionate share of any refund applicable to the Lease Term based on the amount of Real Property Taxes paid by Tenant as Tenant's Property Share (if the refund is applicable to the land) or Tenant's Expense Share (if the refund is applicable to the Building or other improvements in the Outside Areas).

3.3 YEAR-END ADJUSTMENTS. If Landlord shall have elected to bill Tenant for the Property Operating Expenses (or any group of such expenses) on an estimated basis in accordance with the provisions of Paragraph 3.2(a)(iii) above, Landlord shall furnish to Tenant within three months following the end of the applicable calendar or fiscal year, as the case may be, a statement setting forth (i) the amount of such expenses paid or incurred during the just ended calendar or fiscal year, as appropriate, and (ii) the amount that Tenant has paid to Landlord for credit against such expenses for such period. If Tenant shall have paid more than its obligation for such expenses for the stated period, Landlord shall, at its election, either (i) credit the amount of such overpayment toward the next ensuing payment or payments of Additional Rent that would otherwise be due or (ii) refund in cash to Tenant the amount of such overpayment within thirty (30) days after it has been conclusively determined by Landlord that an overpayment has been made by Tenant. If such year-end statement shall show that Tenant did not pay its obligation for such expenses in full, then Tenant shall pay to Landlord the amount of such underpayment within ten days from Landlord's billing of same to Tenant. The provisions of this Paragraph shall survive the expiration or sooner termination of this Lease.

3.4 LATE CHARGE, AND INTEREST ON RENT IN DEFAULT. Tenant acknowledges that the late payment by Tenant of any monthly installment of Base Monthly Rent or any Additional Rent will cause Landlord to incur certain costs and expenses not contemplated under this Lease, the exact amounts of which are extremely difficult or impractical to fix. Such costs and expenses will include without limitation, administration and collection costs and processing and accounting expenses. Therefor, if any installment of Base Monthly Rent is not received by Landlord from Tenant when the same becomes due, Tenant shall immediately pay to Landlord a late charge in an amount equal to the amount set forth in Article 1 as the "Late Charge Amount," and if any Additional Rent is not received by Landlord when the same becomes due, Tenant shall immediately pay to Landlord a late charge in an amount equal to 5% of the Additional Rent not so paid; provided, however, that once but only once in any twelve (12) month period during the Lease Term, Tenant shall be entitled to written notice of non-receipt of Base Monthly Rent or Additional Rent from Landlord, and Tenant shall not be liable for any Late Charge Amount or other late charge hereunder if such installment of Base Monthly Rent or Additional Rent is received by Landlord within ten (10) days after Tenant's receipt of such notice from Landlord. Landlord and Tenant agree that this late charge represents a reasonable estimate of such costs and expenses and is fair compensation to Landlord for the anticipated loss Landlord would suffer by reason of Tenant's failure to make timely payment. In no event shall this provision for a late charge be deemed to grant to Tenant a grace period or extension of time within which to pay any rental installment or prevent Landlord from exercising any right or remedy available to Landlord upon Tenant's failure to pay each rental installment due under this Lease when due, including the right to terminate this Lease. If any rent remains delinquent for a period in excess of 10 calendar days, then, in addition to such late charge, Tenant shall pay to Landlord interest on any rent that is not so paid from said tenth day at the then maximum rate of interest not prohibited or made usurious by Law until paid.

3.5 PAYMENT OF RENT. Except as specifically provided otherwise in this Lease, all rent shall be paid in lawful money of the United States, without any abatement, reduction or offset for any reason whatsoever, to Landlord at such address as Landlord may designate from time to time. Tenant's obligation to pay Base Monthly Rent and all Additional Rent shall be appropriately prorated at the commencement and expiration of the Lease Term. The failure by Tenant to pay any Additional Rent as required pursuant to this Lease when due shall be treated the same as a failure by Tenant to pay Base Monthly Rent when due, and Landlord shall have the same rights and remedies against Tenant as Landlord would have had Tenant failed to pay the Base Monthly Rent when due.

3.6 PREPAID RENT. Tenant shall, within ten (10) days following execution of this Lease, pay to Landlord the amount set forth in Article 1 as "First Month's Prepaid Rent" as prepayment of rent for credit against the first payment of Base Monthly Rent due hereunder.

3.7 SECURITY DEPOSIT.

(a) Tenant, within ten (10) days following execution of this Lease, shall deposit with Landlord the amount set forth in Article 1 as the "Security Deposit" as security for the performance by Tenant of the terms of this Lease to be performed by Tenant, and not as prepayment of rent. Upon the commencement of the second year of the Lease

Term, and at the commencement of each subsequent year, provided that Tenant is not then in default (and has never been in default beyond any applicable notice and cure periods) in its payment of Base Monthly Rent or Additional Rent, the amount of the Security Deposit shall be reduced by twenty percent (20%) of the outstanding amount. In the event (i) Tenant becomes a publicly traded company and (ii) Tenant reports net profits for three (3) consecutive quarters (as shown on its quarterly financial statements prepared in accordance with generally accepted accounting principles), and provided that Tenant is not then in default (and has never been in default beyond any applicable notice and cure periods) in its payment of Base Monthly Rent or Additional Rent, the Security Deposit shall be returned to Tenant and thereafter no Security Deposit will be required. In the event (1) Tenant becomes a publicly traded company and maintains a market capitalization of Two Billion Dollars (\$2,000,000,000) for two consecutive quarters and (2) quarterly revenues exceed Twenty Five Million Dollars (\$25,000,000) for two consecutive quarters (as shown on its quarterly financial statements prepared in accordance with generally accepted accounting principles), and provided that Tenant is not then in default (and has never been in default beyond any applicable notice and cure periods) in its payment of Base Monthly Rent or Additional Rent, the Security Deposit shall be reduced by an amount equal to fifty percent (50%) of the original amount.

(b) Landlord may apply such portion or portions of the Security Deposit as are reasonably necessary for the following purposes: (i) to remedy any default by Tenant in the payment of Base Monthly Rent or Additional Rent or a late charge or interest on defaulted rent, or any other monetary payment obligation of Tenant under this Lease; (ii) to repair damage to the Leased Premises, the Building or the Outside Areas caused or permitted to occur by Tenant; (iii) to clean and restore and repair the Leased Premises, the Building or the Outside Areas following their surrender to Landlord if not surrendered in the condition required pursuant to the provisions of Article 2, and (iv) to remedy any other default of Tenant to the extent permitted by Law including, without limitation, paying in full on Tenant's behalf any sums claimed by materialmen or contractors of Tenant to be owing to them by Tenant for work done or improvements made at Tenant's request to the Leased Premises. In this regard, Tenant hereby waives any restriction on the uses to which the Security Deposit may be applied as contained in Section 1950.7(c) of the California Civil Code and/or any successor statute. In the event the Security Deposit or any portion thereof is so used, Tenant shall pay to Landlord, promptly upon demand, an amount in cash sufficient to restore the Security Deposit to the full original sum or shall replenish the letter of credit, if applicable. Landlord shall not be deemed a trustee of the Security Deposit. Landlord may use the Security Deposit in Landlord's ordinary business and shall not be required to segregate it from Landlord's general accounts. Tenant shall not be entitled to any interest on any cash Security Deposit held by Landlord. If Landlord transfers the Building or the Property during the Lease Term, Landlord may pay the Security Deposit to any subsequent owner in conformity with the provisions of Section 1950.7 of the California Civil Code and/or any successor statute, in which event the transferring landlord shall be released from all liability for the return of the Security Deposit. Tenant specifically grants to Landlord (and Tenant hereby waives the provisions of California Civil Code Section 1950.7 to the contrary) a period of ninety days following a surrender of the Leased Premises by Tenant to Landlord within which to inspect the Leased Premises, make required restorations and repairs, receive and verify workmen's billings therefor, and prepare a final accounting with respect to the Security Deposit. In no event shall the Security Deposit or any portion thereof, be considered prepaid rent. Notwithstanding the foregoing, in lieu of a cash Security Deposit, Tenant may deliver to Landlord a clean, unconditional, irrevocable, transferable letter of credit in the full amount of the Security Deposit required pursuant to Article 1 hereof (the "Letter of Credit") in form and issued by a financial institution ("Issuer") satisfactory to Landlord in its sole discretion, substantially in the form attached as Exhibit E. The Letter of Credit shall permit partial draws, and provide that draws thereunder will be honored upon receipt by Issuer of a written statement signed by Landlord or its authorized agent stating that Landlord is entitled to draw down on the Letter of Credit pursuant to the terms of the Lease. The Letter of Credit shall have an expiration period of one (1) year but shall automatically renew by its terms unless affirmatively cancelled by either Issuer or Tenant, in which case Issuer must provide Landlord 30 days' prior written notice of such expiration or cancellation. Any amount drawn under the Letter of Credit shall be held or used by Landlord in accordance with this Section 3.7. If the amount of the Letter of Credit is reduced in accordance with the terms of this Lease, Tenant shall have the right to replace the existing Letter of Credit with another Letter of Credit at the reduced amount. If the Tenant fails to renew or replace the Letter of Credit as required under this Lease at least thirty (30) days before its stated expiration date, Landlord may draw upon the entire amount of the Letter of Credit, provided that if Landlord so draws on the Letter of Credit, so long as Tenant is not otherwise in default, Landlord shall deliver the amount so drawn to Tenant upon Tenant's delivery to Landlord of a new Letter of Credit in the amount then required, provided that Tenant makes such delivery within ten (10) days of Landlord's draw.

(c) In the event Mathilda Associates LLC transfers or sells its interest in the Property to person any entity other than an institutional buyer (a "Non-Institutional Buyer"), Tenant shall have the right to require that the Security Deposit be held by the lender, if any, providing the financing for such Non-Institutional Buyer to acquire the Property, or be held in an escrow account controlled by such Non-Institutional Buyer, which account shall be subject to escrow instructions specifying that (1) Landlord shall only have the right to draw on the Letter of Credit to the extent the Landlord is entitled to pursuant to this Section 3.7, (2) Landlord shall deliver a statement to the escrow holder prior to any draw down, certifying that Landlord is entitled to draw on the Letter of Credit pursuant to this Section 3.7, and (3) that within ninety (90) days after expiration of this Lease, the escrow holder shall release the Letter to Credit to Tenant consistent with the terms of this Lease. For purposes hereof, the term "institutional buyer" shall include, without limitation, life insurance companies, banks, pension funds, pension fund advisors, opportunity funds, hedge funds, private owners who directly or indirectly own more than \$200,000,000 of real estate, or real estate investment trusts.

ARTICLE 4

USE OF LEASED PREMISES AND OUTSIDE AREA

4.1 PERMITTED USE. Tenant shall be entitled to use the Leased Premises solely for the "Permitted Use" as set forth in Article 1 and for no other purpose whatsoever. Tenant shall have the right to vacate the Leased Premises at any time during the Term of this Lease, provided Tenant maintains the Leased Premises in the same condition as if fully occupied and as otherwise required by the terms of this Lease. Tenant shall have the right to use the Outside Areas in conjunction with its Permitted Use of the Leased Premises solely for the purposes for which they were designed and intended and for no other purposes whatsoever.

4.2 GENERAL LIMITATIONS ON USE. Tenant shall not do or permit anything to be done in or about the Leased Premises, the Building, the Outside Areas or the Property which does or could (i) jeopardize the structural integrity of the Building or (ii) cause damage to any part of the Leased Premises, the Building, the Outside Areas or the Property. Tenant shall not operate any equipment within the Leased Premises which does or could (i) injure, vibrate or shake the Leased Premises or the Building, (ii) damage, overload or impair the efficient operation of any electrical, plumbing, heating, ventilating or air conditioning systems within or servicing the Leased Premises or the Building, or (iii) damage or impair the efficient operation of the sprinkler system (if any) within or servicing the Leased Premises or the Building. Tenant shall not (i) install any equipment or antennas on or make any penetrations of the exterior walls or roof of the Building or (ii) affix any equipment or make any penetrations or cuts in the floors, ceiling or walls of the Leased Premises, without Landlord's prior written consent, which consent shall not be unreasonably withheld; provided, however, that it shall be reasonable for Landlord to withhold its consent if Tenant's proposed installations or penetrations impact the structural integrity of the Building. Any installations, penetrations or cuts in the interior or exterior walls, roof, floor or ceiling of the Building will be subject to Tenant's restoration obligations set forth in Section 2.6. Tenant shall not place any loads upon the floors, walls, ceiling or roof systems which could endanger the structural integrity of the Building or damage its floors, foundations or supporting structural components. Tenant shall not place any explosive, flammable or harmful fluids or other waste materials in the drainage systems of the Leased Premises, the Building, the Outside Areas or the Property. Tenant shall not drain or discharge any fluids in the landscaped areas or across the paved areas of the Property. Tenant shall not use any of the Outside Areas for the storage of its materials, supplies, inventory or equipment and all such materials, supplies, inventory or equipment shall at all times be stored within the Leased Premises. Tenant shall not commit nor permit to be committed any waste in or about the Leased Premises, the Building, the Outside Areas or the Property.

4.3 NOISE AND EMISSIONS. All noise generated by Tenant in its use of the Leased Premises shall be confined or muffled so that it does not interfere with the businesses of or annoy the occupants and/or users of adjacent properties. All dust, fumes, odors and other emissions generated by Tenant's use of the Leased Premises shall be sufficiently dissipated in accordance with sound environmental practice and exhausted from the Leased Premises in such a manner so as not to interfere with the businesses of or annoy the occupants and/or users of adjacent properties, or cause any damage to the Leased Premises, the Building, the Outside Areas or the Property or any component part thereof or the property of adjacent property owners.

4.4 TRASH DISPOSAL. Tenant shall provide trash bins or other adequate garbage disposal facilities within the trash enclosure areas provided or permitted by Landlord outside the Leased Premises sufficient for the interim disposal of all of its trash, garbage and waste. All such trash, garbage and waste temporarily stored in such areas shall be stored in such a manner so that it is not visible from outside of such areas, and Tenant shall cause such trash, garbage and waste to be regularly removed from the Property. Tenant shall keep the Leased Premises in a clean, safe and neat condition and keep the Outside Areas (except the trash enclosure areas) free and clear of all of Tenant's trash, garbage, waste and/or boxes, pallets and containers containing same at all times.

4.5 PARKING. Tenant shall have the non-exclusive use of its proportionate share (calculated using the same method as Tenant's Expense Share) of parking spaces located in the Outside Areas (which, subject to any transportation management requirements of the City of Sunnyvale, shall be no less than 3.6 spaces per 1,000 rentable square feet in the Leased Premises). During construction of the 1184 Building (as defined in Article 16), Tenant shall have the non-exclusive use of all parking areas located on the Property, subject to Landlord's use thereof for construction activities. Notwithstanding the foregoing, Tenant shall have exclusive use of the thirty (30) parking spaces directly in front of the front door to the Leased Premises. Tenant shall not, at any time, park or permit to be parked any recreational vehicles, inoperative vehicles or equipment in the Outside Areas or on any portion of the Property. Tenant agrees to assume responsibility for compliance by its employees and invitees with the parking provisions contained herein. If Tenant or its employees park any vehicle within the Property in violation of these provisions, then Landlord may, upon prior written notice to Tenant giving Tenant one (1) day (or any applicable statutory notice period, if longer than one (1) day) to remove such vehicle(s). Landlord reserves the right to grant easements and access rights to others for use of the parking areas on the Property, provided that such grants do not materially interfere with Tenant's use of the parking areas.

4.6 SIGNS. Other than business identification signs allowed pursuant to this Section 4.6, Tenant shall not place or install on or within any portion of the Leased Premises, the exterior of the Building, the Outside Areas or the Property any sign, advertisement, banner, placard, or picture which is visible from the exterior of the Leased Premises. Subject to Landlord's prior written consent, which shall not be unreasonably withheld, and subject to approval by the City of Sunnyvale, Tenant shall have the right to install an illuminated business identification sign on the Building. Landlord shall cooperate with Tenant's efforts to obtain approval from the City of Sunnyvale for an illuminated sign. Any such sign shall be installed at Tenant's sole cost and expense and only in strict compliance with Landlord's approval (which shall not be unreasonably withheld), and all Laws and all requirements of the City of Sunnyvale, using a person approved by Landlord to install same. Subject to Landlord's prior written consent,

which shall not be unreasonably withheld, and subject to approval by the City of Sunnyvale of the installation of no less than two (2) monument signs for the Property, Tenant shall have the right to its own business identification monument sign on the Property, in a location which indicates that such sign belongs to the Building (or, if Tenant occupies all buildings on the Property, Tenant shall have the exclusive right to all such monument signs), to be installed by Landlord at its sole cost and expense. In the event the City of Sunnyvale only approves the installation of one (1) monument sign for the Property, Tenant shall have the right to place its business identification signage on the top of said monument sign, which monument sign shall be installed by Landlord, at its sole cost and expense. Such monument sign shall comply with all requirements imposed by the City of Sunnyvale. Landlord may remove any signs (which have not been approved in writing by Landlord), advertisements, banners, placards or pictures so placed by Tenant on or within the Leased Premises, the exterior of the Building, the Outside Areas or the Property and charge to Tenant the cost of such removal, together with any costs incurred by Landlord to repair any damage caused thereby, including any cost incurred to restore the surface (upon which such sign was so affixed) to its original condition. Notwithstanding anything to the contrary contained herein, Tenant shall remove all of Tenant's signs, repair any damage caused thereby, and restore the surface upon which the sign was affixed to its original condition, all to Landlord's reasonable satisfaction, upon the termination of this Lease.

4.7 COMPLIANCE WITH LAWS AND PRIVATE RESTRICTIONS. Tenant shall abide by and shall promptly observe and comply with, at its sole cost and expense, all Laws and Private Restrictions respecting the use and occupancy of the Leased Premises, the Building, the Outside Areas or the Property including, without limitation, all Laws governing the use and/or disposal of Hazardous Materials (except that Tenant shall not be responsible for any Hazardous Materials at the Leased Premises, the Building, the Outside Areas or the Property prior to the Delivery Date), and shall defend with competent counsel, indemnify and hold Landlord harmless from any claims, damages or liability resulting from Tenant's failure to so abide, observe, or comply. Tenant's obligations hereunder shall survive the expiration or sooner termination of this Lease.

4.8 COMPLIANCE WITH INSURANCE REQUIREMENTS. With respect to any insurance policies required or permitted to be carried by Landlord in accordance with the provision of this Lease, copies of which have been or will, upon Tenant's written request therefor, be provided to Tenant, Tenant shall not conduct nor permit any other person to conduct any activities nor keep, store or use (or allow any other person to keep, store or use) any item or thing within the Leased Premises, the Building, the Outside Areas or the Property which (i) is prohibited under the terms of any such policies, (ii) could result in the termination of the coverage afforded under any of such policies, (iii) could give to the insurance carrier the right to cancel any of such policies, or (iv) could cause an increase in the rates (over standard rates) charged for the coverage afforded under any of such policies. Tenant shall comply with all requirements of any insurance company, insurance underwriter, or Board of Fire Underwriters which are necessary to maintain, at standard rates, the insurance coverages carried by either Landlord or Tenant pursuant to this Lease.

4.9 LANDLORD'S RIGHT TO ENTER. Landlord and its agents shall have the right to enter the Leased Premises during normal business hours after giving Tenant reasonable notice and subject to Tenant's reasonable security measures for the purpose of (i) inspecting the same; (ii) showing the Leased Premises to prospective purchasers, mortgagees or tenants; (iii) making necessary alterations, additions or repairs; and (iv) performing any of Tenant's obligations when Tenant has failed to do so. Landlord shall have the right to enter the Leased Premises during normal business hours (or as otherwise agreed), subject to Tenant's reasonable security measures, for purposes of supplying any maintenance or services agreed to be supplied by Landlord. Landlord shall have the right to enter the Outside Areas during normal business hours for purposes of (i) inspecting the exterior of the Building and the Outside Areas; (ii) posting notices of nonresponsibility (and for such purposes Tenant shall provide Landlord at least thirty days' prior written notice of any work to be performed on the Leased Premises); and (iii) supplying any services to be provided by Landlord. Any entry into the Leased Premises or the Outside Areas obtained by Landlord in accordance with this paragraph shall not under any circumstances be construed or deemed to be a forcible or unlawful entry into, or a detainer of, the Leased Premises, or an eviction, actual or constructive of Tenant from the Leased Premises or any portion thereof. In exercising its rights under this Section 4.9, Landlord shall use commercially reasonable efforts to minimize interference with Tenant's use of the Leased Premises and the Outside Areas.

4.10 USE OF OUTSIDE AREAS. Tenant, in its use of the Outside Areas, shall at all times keep the Outside Areas in a safe condition free and clear of all materials, equipment, debris, trash (except within existing enclosed trash areas), inoperable vehicles, and other items which are not specifically permitted by Landlord to be stored or located thereon by Tenant. If, in the opinion of Landlord, unauthorized persons are using any of the Outside Areas by reason of, or under claim of, the express or implied authority or consent of Tenant, then Tenant, upon demand of Landlord, shall restrain, to the fullest extent then allowed by Law, such unauthorized use, and shall initiate such appropriate proceedings as may be required to so restrain such use. Landlord reserves the right to grant easements and access rights to others for use of the Outside Areas and shall not be liable to Tenant for any diminution in Tenant's right to use the Outside Areas as a result; provided, however, that other than for construction of the 1184 Building and other requirements under the Use Permit, of which the Tenant has knowledge and which the Tenant recognizes will be taking place during the Lease Term, Landlord shall not exercise its rights pursuant to this Section 4.10 in a manner which materially and adversely affects Tenant's ability to use the Leased Premises and the Outside Areas for the Permitted Use or materially and adversely affects Tenant's parking rights.

4.11 ENVIRONMENTAL PROTECTION. Tenant's obligations under this Section 4.11 shall survive the expiration or termination of this Lease.

(a) As used herein, the term "Hazardous Materials" shall mean any toxic or hazardous substance, material or waste or any pollutant or infectious or radioactive material, including but not limited to those substances, materials or wastes regulated now or in the future under any of the following statutes or regulations and any and all of those substances included within the definitions of "hazardous substances," "hazardous materials," "hazardous waste," "hazardous chemical substance or mixture," "imminently hazardous chemical substance or mixture," "toxic

substances," "hazardous air pollutant," "toxic pollutant," or "solid waste" in the (a) Comprehensive Environmental Response, Compensation and Liability Act of 1990 ("CERCLA" or "Superfund"), as amended by the Superfund Amendments and Reauthorization Act of 1986 ("SARA"), 42 U.S.C. Section 9601 et seq., (b) Resource Conservation and Recovery Act of 1976 ("RCRA"), 42 U.S.C. Section 6901 et seq., (c) Federal Water Pollution Control Act ("FSPCA"), 33 U.S.C. Section 1251 et seq., (d) Clean Air Act ("CAA"), 42 U.S.C. Section 7401 et seq., (e) Toxic Substances Control Act ("TSCA"), 14 U.S.C. Section 2601 et seq., (f) Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq., (g) Carpenter-Presley-Tanner Hazardous Substance Account Act ("California Superfund"), Cal. Health & Safety Code Section 25300 et seq., (h) California Hazardous Waste Control Act, Cal. Health & Safety code Section 25100 et seq., (i) Porter-Cologne Water Quality Control Act ("Porter-Cologne Act"), Cal. Water Code Section 13000 et seq., (j) Hazardous Waste Disposal Land Use Law, Cal. Health & Safety codes Section 25220 et seq., (k) Safe Drinking Water and Toxic Enforcement Act of 1986 ("Proposition 65"), Cal. Health & Safety code Section 25249.5 et seq., (l) Hazardous Substances Underground Storage Tank Law, Cal. Health & Safety code Section 25280 et seq., (m) Air Resources Law, Cal. Health & Safety Code Section 39000 et seq., and (n) regulations promulgated pursuant to said laws or any replacement thereof, or as similar terms are defined in the federal, state and local laws, statutes, regulations, orders or rules. Hazardous Materials shall also mean any and all other biohazardous wastes and substances, materials and wastes which are, or in the future become, regulated under applicable Laws for the protection of health or the environment, or which are classified as hazardous or toxic substances, materials or wastes, pollutants or contaminants, as defined, listed or regulated by any federal, state or local law, regulation or order or by common law decision, including, without limitation, (i) trichloroethylene, tetrachloroethylene, perchloroethylene and other chlorinated solvents, (ii) any petroleum products or fractions thereof, (iii) asbestos, (iv) polychlorinated biphenyls, (v) flammable explosives, (vi) urea formaldehyde, (vii) radioactive materials and waste, and (viii) materials and wastes that are harmful to or may threaten human health, ecology or the environment.

(b) Notwithstanding anything to the contrary in this Lease, Tenant, at its sole cost, shall comply with all Laws relating to the storage, use and disposal of Hazardous Materials by Tenant, its subtenants, their respective agents, employees, contractors or invitees (collectively, the "Tenant Parties"). Tenant shall not store, use or dispose of any Hazardous Materials except for those Hazardous Materials listed in a Hazardous Materials management plan ("HMMP") which Tenant shall deliver to Landlord upon execution of this Lease and update at least annually with Landlord ("Permitted Materials") which may be used, stored and disposed of provided (i) such Permitted Materials are used, stored, transported, and disposed of in strict compliance with applicable laws, (ii) such Permitted Materials shall be limited to the materials listed on and may be used only in the quantities specified in the HMMP, and (iii) Tenant shall provide Landlord with copies of all material safety data sheets and other documentation required under applicable Laws in connection with Tenant's use of Permitted Materials as and when such documentation is provided to any regulatory authority having jurisdiction, in no event shall Tenant cause or permit to be discharged into the plumbing or sewage system of the Building or onto the land underlying or adjacent to the Building any Hazardous Materials. Tenant shall be solely responsible for and shall defend, indemnify, and hold Landlord and its agents harmless from and against all claims, costs and liabilities, including attorneys' fees and costs, arising out of or in connection with Tenant's storage, use and/or disposal of Hazardous Materials. If the presence of Hazardous Materials on the Leased Premises caused or permitted by Tenant results in contamination or deterioration of water or soil, then Tenant shall promptly take any and all action necessary to clean up such contamination as required by Law, but the foregoing shall in no event be deemed to constitute permission by Landlord to allow the presence of such Hazardous Materials. At any time prior to the expiration of the Lease Term if Tenant has a reasonable basis to suspect that there has been any release or the presence of Hazardous Materials in the ground or ground water on the Leased Premises which did not exist upon commencement of the Lease Term, Tenant shall have the right to conduct appropriate tests of water and soil and to deliver to Landlord the results of such tests to demonstrate that no contamination in excess of permitted levels has occurred as a result of Tenant's use of the Leased Premises. Tenant shall further be solely responsible for, and shall defend, indemnify, and hold Landlord and its agents harmless from and against all claims, costs and liabilities, including attorneys' fees and costs, arising out of or in connection with any removal, cleanup and restoration work and materials required hereunder to return the Leased Premises and any other property of whatever nature to their condition existing prior to the appearance of the Hazardous Materials, to the extent such removal, cleanup and restoration work is required by Law.

(c) Upon termination or expiration of the Lease, Tenant at its sole expense shall cause all Hazardous Materials placed in or about the Leased Premises, the Building and/or the Property by any Tenant Parties, and all installations (whether interior or exterior) made by or on behalf of Tenant relating to the storage, use, disposal or transportation of Hazardous Materials to be removed from the property and transported for use, storage or disposal in accordance and compliance with all Laws and other requirements respecting Hazardous Materials used or permitted to be used by Tenant. Tenant shall apply for and shall obtain from all appropriate regulatory authorities (including any applicable fire department or regional water quality control board) all permits, approvals and clearances necessary for the closure of the Property and shall take all other actions as may be required to complete the closure of the Building and the Property. In addition, prior to vacating the Leased Premises, Tenant shall undertake and submit to Landlord an environmental site assessment from an environmental consulting company reasonably acceptable to Landlord which site assessment shall evidence Tenant's compliance with this Paragraph 4.11.

(d) At any time prior to expiration of the Lease term, subject to reasonable prior notice (not less than forty-eight (48) hours) and Tenant's reasonable security requirements and provided such activities do not unreasonably interfere with the conduct of Tenant's business at the Leased Premises, Landlord shall have the right to enter in and upon the Property, Building and Leased Premises in order to conduct appropriate tests of water and soil to determine whether levels of any Hazardous Materials in excess of legally permissible levels has occurred as a result of any Tenant Parties' use thereof. Landlord shall furnish copies of all such test results and reports to Tenant and, at Tenant's option and cost, shall permit split sampling for testing and analysis by Tenant. Such testing shall be at Tenant's expense if Landlord has a reasonable basis for suspecting and confirms the presence of Hazardous

Materials in the soil or surface or ground water in, on, under, or about the Property, the Building or the Leased Premises, which has been caused by or resulted from the activities of any Tenant Parties.

(e) Landlord may voluntarily cooperate in a reasonable manner with the efforts of all governmental agencies in reducing actual or potential environmental damage. Tenant shall not be entitled to terminate this Lease or to any reduction in or abatement of rent by reason of such compliance or cooperation. Tenant agrees at all times to cooperate fully with the requirements and recommendations of governmental agencies regulating, or otherwise involved in, the protection of the environment.

4.12 RULES AND REGULATIONS. In the event Juniper Networks, Inc. is no longer the sole tenant of the Building, Landlord shall have the right from time to time to establish reasonable rules and regulations and/or amendments or additions thereto respecting the use of the Leased Premises and the Outside Areas for the care and orderly management of the Property. Upon delivery to Tenant of a copy of such rules and regulations or any amendments or additions thereto, Tenant shall comply with such rules and regulations. A violation by Tenant of any of such rules and regulations shall constitute a default by Tenant under this Lease. If there is a conflict between the rules and regulations and any of the provisions of this Lease, the provisions of this Lease shall prevail. Landlord shall not be responsible or liable to Tenant for the violation of such rules and regulations by any other tenant of the Property.

4.13 RESERVATIONS. Landlord reserves the right from time to time to grant, without the consent or joinder of Tenant, such easements, rights of way and dedications that Landlord deems necessary, and to cause the recordation of parcel maps and covenants, conditions and restrictions, so long as such easements, rights of way, dedications and covenants, conditions and restrictions do not materially and adversely affect the use of the Leased Premises by Tenant, materially and adversely affect Tenant's parking rights, and do not prohibit any Permitted Use. Tenant agrees to execute any documents reasonably request by Landlord to effectuate any such easement rights, dedications, maps or covenants, conditions and restrictions.

ARTICLE 5

REPAIRS, MAINTENANCE, SERVICES AND UTILITIES

5.1 REPAIR AND MAINTENANCE. Except in the case of damage to or destruction of the Leased Premises, the Building, the Outside Areas or the Property caused by an act of God or other peril, in which case the provisions of Article 10 shall control, the parties shall have the following obligations and responsibilities with respect to the repair and maintenance of the Leased Premises, the Building, the Outside Areas, and the Property.

(a) **TENANT'S OBLIGATIONS.** Tenant shall, at all times during the Lease Term and at its sole cost and expense, regularly clean and continuously keep and maintain in good order, condition and repair the Leased Premises and every part thereof including, without limiting the generality of the foregoing, (i) all interior walls, floors and ceilings, (ii) all windows, doors and skylights, (iii) all electrical wiring, conduits, connectors and fixtures, (iv) all plumbing, pipes, sinks, toilets, faucets and drains, (v) all lighting fixtures, bulbs and lamps and all heating, ventilating and air conditioning equipment, and (vi) all entranceways to the Leased Premises. Tenant shall hire, at Tenant's sole cost and expense, a licensed heating, ventilating and air conditioning contractor to regularly and periodically (not less frequently than every three months) inspect and perform required maintenance on the heating, ventilating and air conditioning equipment and systems serving the Leased Premises. Tenant shall hire, at Tenant's sole cost and expense, a licensed roofing contractor to regularly and periodically (not less frequently than semi-annually) inspect and perform required maintenance on the roof of the Building. If Tenant shall be in default of its obligations to maintain the heating, ventilating and air conditioning equipment and systems or roof, Landlord may, at its election, contract in its own name for such regular and periodic inspections and maintenance of the heating, ventilating and air conditioning equipment and systems and/or roof, and charge to Tenant, as Additional Rent, the cost thereof. Tenant shall, at its sole cost and expense, repair all damage to the Leased Premises, the Building, the Outside Areas or the Property caused by the activities of Tenant, its employees, invitees or contractors promptly following written notice from Landlord to so repair such damages (subject to Section 9.3 of this Lease). If Tenant shall fail to perform the required maintenance or fail to make repairs required of it pursuant to this paragraph within a reasonable period of time following notice from Landlord to do so, then Landlord may, at its election and without waiving any other remedy it may otherwise have under this Lease or at law, perform such maintenance or make such repairs and charge to Tenant, as Additional Rent, the costs so incurred by Landlord for same. All glass within or a part of the Leased Premises, both interior and exterior, is at the sole risk of Tenant and any broken glass shall promptly be replaced by Tenant at Tenant's expense with glass of the same kind, size and quality. Notwithstanding the foregoing, in the event that, due to normal wear and tear (and not due to other factors, including, without limitation, Tenant's misuse, overuse or Tenant's alterations, improvements or modifications to the Leased Premises, the Outside Areas or the Building), Tenant would be required by this

Section 5.1(a) to make a repair or replacement that would be considered a "capital improvement" as determined in accordance with generally accepted accounting principles, Landlord shall make such repair or replacement and charge to Tenant, as Additional Rent, the cost thereof (provided that the cost of such repair or replacement shall be amortized over its useful life and only the amortizing portion of such cost shall be included in Additional Rent on a monthly basis).

(b) **LANDLORD'S OBLIGATION.** Landlord shall at its sole cost and expense, at all times during the Lease Term, maintain in good condition and repair the foundation, the footings, the roof screen, the roof screen penetrations, the roof structure, load-bearing and exterior walls of the Building. Landlord shall, at all times during the Lease Term, regularly and continuously keep and maintain in good order and repair and in a clean and safe condition the Outside Areas, and charge to Tenant, as Additional Rent, the cost thereof. Landlord shall regularly and periodically sweep and clean the driveways and parking areas, and charge to Tenant, as Additional Rent, the cost thereof.

5.2 UTILITIES. Tenant shall arrange at its sole cost and expense and in its own name, for the supply of gas and electricity to the Leased Premises. In the event that such services are not separately metered, Tenant shall, at its sole expense, cause such meters to be installed. Landlord shall maintain the water meter(s) in its own name; provided, however, that if at any time during the Lease Term Landlord shall require Tenant to put the water service in Tenant's name, Tenant shall do so at Tenant's sole cost. Tenant shall be responsible for determining if the local supplier of water, gas and electricity can supply the needs of Tenant and whether or not the existing water, gas and electrical distribution systems within the Building and the Leased Premises are adequate for Tenant's needs. Tenant shall be responsible for determining if the existing sanitary and storm sewer systems now servicing the Leased Premises and the Property are adequate for Tenant's needs. Tenant shall pay all charges for water, gas, electricity and storm and sanitary sewer services as so supplied to the Leased Premises, irrespective of whether or not the services are maintained in Landlord's or Tenant's name.

5.3 SECURITY. Tenant acknowledges that Landlord has not undertaken any duty whatsoever to provide security for the Leased Premises, the Building, the Outside Areas or the Property and, accordingly, Landlord is not responsible for the security of same or the protection of Tenant's property or Tenant's employees, invitees or contractors. To the extent Tenant determines that such security or protection services are advisable or necessary, Tenant shall arrange for and pay the costs of providing same.

5.4 ENERGY AND RESOURCE CONSUMPTION. Landlord may voluntarily cooperate in a reasonable manner with the efforts of governmental agencies and/or utility suppliers in reducing energy or other resource consumption within the Property. Tenant shall not be entitled to terminate this Lease or to any reduction in or abatement of rent by reason of such compliance or cooperation. Tenant agrees at all times to cooperate fully with Landlord and to abide by all reasonable rules established by Landlord (i) in order to maximize the efficient operation of the electrical, heating, ventilating and air conditioning systems and all other energy or other resource consumption systems with the Property and/or (ii) in order to comply with the requirements and recommendations of utility suppliers and governmental agencies regulating the consumption of energy and/or other resources.

5.5 LIMITATION OF LANDLORD'S LIABILITY. Landlord shall not be liable to Tenant for injury to Tenant, its employees, agents, invitees or contractors, damage to Tenant's property or loss of Tenant's business or profits, nor shall Tenant be entitled to terminate this Lease or to any reduction in or abatement of rent by reason of (i) Landlord's failure to provide security services or systems within the Property for the protection of the Leased Premises, the Building or the Outside Areas, or the protection of Tenant's property or Tenant's employees, invitees, agents or contractors, or (ii) Landlord's failure to perform any maintenance or repairs to the Leased Premises, the Building, the Outside Areas or the Property until Tenant shall have first notified Landlord, in writing, of the need for such maintenance or repairs, and then only after Landlord shall have had a reasonable period of time following its receipt of such notice within which to perform such maintenance or repairs, or (iii) any failure, interruption, rationing or other curtailment in the supply of water, electric current, gas or other utility service to the Leased Premises, the Building, the Outside Areas or the Property from whatever cause (other than to the extent caused by Landlord's active negligence or willful misconduct), or (iv) the unauthorized intrusion or entry into the Leased Premises by third parties (other than Landlord).

ARTICLE 6

ALTERATIONS AND IMPROVEMENTS

6.1 BY TENANT. Tenant shall not make any alterations to or modifications of the Leased Premises or construct any improvements within the Leased Premises until Landlord shall have first approved, in writing, the plans and specifications therefor, which approval shall not be unreasonably withheld or delayed. Landlord's approval shall be deemed given if not denied by Landlord in a written notice to Tenant delivered within fifteen (15) days following receipt of Tenant's written request. Tenant's written request shall also contain a request for Landlord to elect whether or not it will require Tenant to remove the subject alterations, modifications or improvements at the expiration or earlier termination of this Lease. If such additional request is not included, Landlord may make such election at the expiration or earlier termination of this Lease (and for purposes of Tenant's removal obligations set forth in Section 2.6 above, Landlord shall be deemed to have made the election at the time the alterations, modifications or improvements were completed). Notwithstanding the foregoing, Tenant shall have the right, at its sole cost and expense, subject to the prior written approval of Landlord (which approval shall not be unreasonably withheld or delayed) to construct a covered open walkway between the Building and the 1194 Building and Tenant shall not be required to remove such walkway upon the termination of this Lease. All modifications, alterations or improvements, once approved by Landlord, shall be made, constructed or installed by Tenant at Tenant's expense (including all permit fees and governmental charges related thereto), using a licensed contractor first approved by Landlord, in substantial compliance with the Landlord-approved plans and specifications therefor. All work undertaken by Tenant shall be done in accordance with all Laws and in a good and workmanlike manner using new materials of good quality. Tenant shall not commence the making of any such modifications or alterations or the construction of any such improvements until

(i) all required governmental approvals and permits shall have been obtained, (ii) all requirements regarding insurance imposed by this Lease have been satisfied, (iii) Tenant shall have given Landlord at least five business days prior written notice of its intention to commence such work so that Landlord may post and file notices of non-responsibility, and (iv) if requested by Landlord, Tenant shall have obtained contingent liability and broad form builder's risk insurance in an amount satisfactory to Landlord in its reasonable discretion to cover any perils relating to the proposed work not covered by insurance carried by Tenant pursuant to Article 9. In no event shall Tenant make any modification, alterations or improvements whatsoever to the Outside Areas or the exterior or structural components of the Building including, without limitation, any cuts or penetrations in the floor, roof or exterior walls of the Leased Premises (except to the extent Tenant has obtained Landlord's approval pursuant to Section 4.2). As used in this Article, the term "modifications, alterations and/or improvements" shall include, without limitation, the installation of additional electrical outlets, overhead lighting

fixtures, drains, sinks, partitions, doorways, or the like. Notwithstanding the foregoing, Tenant, without Landlord's prior written consent, shall be permitted to make non-structural alterations to the Building, provided that: (a) such alterations do not exceed \$20,000 individually, (b) Tenant shall timely provide Landlord the notice required pursuant to Paragraph 4.9 above, (c) Tenant shall notify Landlord in writing within thirty (30) days of completion of the alteration and deliver to Landlord a set of the plans and specifications therefor, either "as built" or marked to show construction changes made, and (d) Tenant shall, upon Landlord's request, remove the alteration at the termination of the Lease and restore the Leased Premises to their condition prior to such alteration.

6.2 OWNERSHIP OF IMPROVEMENTS. All modifications, alterations and improvements made or added to the Leased Premises by Tenant (other than Tenant's inventory, equipment, movable furniture, wall decorations and trade fixtures) shall be deemed real property and a part of the Leased Premises, but shall remain the property of Tenant during the Lease. Any such modifications, alterations or improvements, once completed, shall not be altered or removed from the Leased Premises during the Lease Term without Landlord's written approval first obtained in accordance with the provisions of Paragraph 6.1 above. At the expiration or sooner termination of this Lease, all such modifications, alterations and improvements other than Tenant's inventory, equipment, movable furniture, wall decorations and trade fixtures, shall automatically become the property of Landlord and shall be surrendered to Landlord as part of the Leased Premises as required pursuant to Article 2, unless Landlord shall require Tenant to remove any of such modifications, alterations or improvements in accordance with the provisions of Article 2, in which case Tenant shall so remove same. Landlord shall have no obligations to reimburse Tenant for all or any portion of the cost or value of any such modifications, alterations or improvements so surrendered to Landlord. All modifications, alterations or improvements which are installed or constructed on or attached to the Leased Premises by Landlord and/or at Landlord's expense shall be deemed real property and a part of the Leased Premises and shall be property of Landlord. All lighting, plumbing, electrical, heating, ventilating and air conditioning fixtures, partitioning, window coverings, wall coverings and floor coverings installed by Tenant shall be deemed improvements to the Leased Premises and not trade fixtures of Tenant. Landlord shall have no lien or interest whatsoever in any of Tenant's property or equipment located in the Leased Premises or elsewhere, and Landlord waives any such liens and interests and Landlord hereby agrees to execute a Landlord Waiver with respect thereto in favor of any lender or equipment lessor of Tenant strictly in the form attached as Exhibit F.

6.3 ALTERATIONS REQUIRED BY LAW. Tenant shall make all modifications, alterations and improvements to the Leased Premises, at its sole cost, that are required by any Law because of (i) Tenant's use or occupancy of the Leased Premises, the Building, the Outside Areas or the Property, (ii) Tenant's application for any permit or governmental approval, or (iii) Tenant's making of any modifications, alterations or improvements to or within the Leased Premises. If Landlord shall, at any time during the Lease Term, be required by any governmental authority to make any modifications, alterations or improvements to the Building or the Property, the cost incurred by Landlord in making such modifications, alterations or improvements, including interest at a rate equal to the greater of (a) 12%, or (b) the sum of that rate quoted by Wells Fargo Bank, N.T. & S.A. from time to time as its prime rate, plus two percent (2%) ("Wells Prime Plus Two") (but in no event more than the maximum interest rate permitted by law), shall be amortized by Landlord over the useful life of such modifications, alterations or improvements, as determined in accordance with generally accepted accounting principles, and the monthly amortized cost of such modifications, alterations and improvements as so amortized shall be considered a Property Maintenance Cost.

6.4 LIENS. Tenant shall keep the Property and every part thereof free from any lien, and shall pay when due all bills arising out of any work performed, materials furnished, or obligations incurred by Tenant, its agents, employees or contractors relating to the Property. If any such claim of lien is recorded against Tenant's interest in this Lease, the Property or any part thereof, Tenant shall bond against, discharge or otherwise cause such lien to be entirely released within ten days after the same has been recorded. Tenant's failure to do so shall be conclusively deemed a material default under the terms of this Lease.

ARTICLE 7

ASSIGNMENT AND SUBLETTING BY TENANT

7.1 BY TENANT. Tenant shall not sublet the Leased Premises or any portion thereof or assign its interest in this Lease, whether voluntarily or by operation of Law, without Landlord's prior written consent which shall not be unreasonably withheld. Any attempted subletting or assignment without Landlord's prior written consent, at Landlord's election, shall constitute a default by Tenant under the terms of this Lease. The acceptance of rent by Landlord from any person or entity other than Tenant, or the acceptance of rent by Landlord from Tenant with knowledge of a violation of the provisions of this paragraph, shall not be deemed to be a waiver by Landlord of any provision of this Article or this Lease or to be a consent to any subletting by Tenant or any assignment of Tenant's interest in this Lease. Without limiting the circumstances in which it may be reasonable for Landlord to withhold its consent to an assignment or subletting, Landlord and Tenant acknowledge that it shall be reasonable for Landlord to withhold its consent in the following instances:

(a) the proposed assignee or sublessee is a governmental agency;

(b) in Landlord's reasonable judgment, the use of the Leased Premises by the proposed assignee or sublessee would involve occupancy by other than a Permitted Use as set forth in Article 1, would entail any alterations which would lessen the value of the leasehold improvements in the Leased Premises, or would require increased services by Landlord;

(c) in Landlord's reasonable judgment, the financial worth of the proposed assignee is less than that of Tenant or does not meet the credit standards applied by Landlord at the time of the proposed assignment;

(d) the proposed assignee or sublessee (or any of its affiliates) has been in material default under a lease, has been in litigation with a previous landlord due to a default under a lease, or in the ten years prior to the assignment or sublease has filed for bankruptcy protection, has been the subject of an involuntary bankruptcy, or has been adjudged insolvent;

(e) Landlord has experienced a previous default by or is in litigation with the proposed assignee or sublessee;

(f) in Landlord's reasonable judgment, the Leased Premises, or the relevant part thereof, will be used in a manner that will violate any negative covenant as to use contained in this Lease;

(g) the use of the Leased Premises by the proposed assignee or sublessee will violate any applicable law, ordinance or regulation;

(h) the proposed assignment or sublease fails to include all of the terms and provisions required to be included therein pursuant to this Article 7;

(i) Tenant is in default of any obligation of Tenant under this Lease, or Tenant has defaulted on any of its payment obligations under this Lease on three or more occasions during the 12 months preceding the date that Tenant shall request consent; or

(j) in the case of a subletting of less than the entire Leased Premises, if the subletting would result in the division of any floor of the Building into more than two subleased parcels or would require improvements to be made outside of the Leased Premises.

7.2 MERGER, REORGANIZATION, OR SALE OF ASSETS. Each of the following shall be deemed a voluntary assignment of Tenant's interest in this Lease: (a) dissolution, merger, consolidation or other reorganization of Tenant; or (b) at any time that the capital stock of Tenant is not publicly traded on a recognized exchange, the sale or transfer in one or more transactions to one or more related parties of a controlling percentage of the capital stock of Tenant; or

(c) or the sale or transfer of all or substantially all of the assets of Tenant. The phrase "controlling percentage" means the ownership of and the right to vote stock possessing more than fifty percent of the total combined voting power of all classes of Tenant's capital stock issued, outstanding and entitled to vote for the election of directors. If Tenant is a partnership, a withdrawal or change, voluntary, involuntary or by operation of Law, of any general partner, or the dissolution of the partnership, shall be deemed a voluntary assignment of Tenant's interest in this Lease. Notwithstanding the foregoing, Tenant (or any Permitted Assignee, as defined herein) may, without Landlord's prior written consent and without being subject to any of the provisions of this Article 7, including without limitation, Landlord's right to recapture any portion of the Leased Premises, sublet the Leased Premises or assign this Lease to

(individually, a "Permitted Assignee," collectively, "Permitted Assignees"): (i) a subsidiary, affiliate, division, corporation or joint venture controlling, controlled by or under common control with Tenant; or (ii) a successor corporation related to Tenant by merger, consolidation, nonbankruptcy reorganization, or government action; or (iii) a purchaser of all or substantially all of the assets of Tenant; provided that either (1) Tenant shall remain primarily liable under the Lease (except in the event it is not the surviving entity in the merger) or (2) that any Permitted Assignee under (i),

(ii) or (iii) above has a net worth equal to or greater than Tenant and does not have any contingent or off-balance sheet liabilities that make it less credit worthy than Tenant. In the event any proposed assignee or subtenant under (i),

(ii) or (iii) above has a net worth less than Tenant or has contingent or off-balance sheet liabilities that make it less credit worthy than Tenant, Landlord's consent (pursuant to Section 7.1 above) shall be required and all of the terms and conditions of this Article 7 shall apply, except that Landlord shall not be entitled to terminate this Lease pursuant to Section 7.3, and Landlord shall not be entitled to any assignment consideration or excess rentals pursuant to Section 7.5 of this Lease. If any proposed assignee or subtenant under (i), (ii) or (iii) above does not qualify as a Permitted Assignee because it has a net worth which is less than Tenant or has contingent or off-balance sheet liabilities that make it less creditworthy than Tenant, then in the event Landlord nevertheless consents (pursuant to the provisions of Section 7.1 above) to such proposed assignee or subtenant, such proposed assignee or subtenant shall constitute a Permitted Assignee under this Lease.

7.3 LANDLORD'S ELECTION. If Tenant shall desire to assign its interest under the Lease or to sublet the Leased Premises, Tenant must first notify Landlord, in writing, of its intent to so assign or sublet, at least thirty (30) days in advance of the date it intends to so assign its interest in this Lease or sublet the Leased Premises but not sooner than one hundred eighty days in advance of such date, specifying in detail the terms of such proposed assignment or subletting, including the name of the proposed assignee or sublessee, the property assignee's or sublessee's intended use of the Leased Premises, current financial statements (including a balance sheet, income statement and statement of cash flow, all prepared in accordance with generally accepted accounting principles) of such proposed assignee or sublessee, the form of documents to be used in effectuating such assignment or subletting and such other information as Landlord may reasonably request. Landlord shall have a period of ten (10) business days following receipt of such notice and the required information within which to do one of the following: (i) consent to such requested assignment or subletting subject to Tenant's compliance with the conditions set forth in Paragraph 7.4 below, or (ii) refuse to so consent to such requested assignment or subletting, provided that such consent shall not be unreasonably refused, or (iii) in the case of an assignment of this Lease or sublet of 100% of the Leased Premises, terminate this Lease. During such ten (10) business day period, Tenant covenants and agrees to supply to Landlord, upon request, all necessary or relevant information which Landlord may reasonably request respecting such proposed assignment or subletting and/or the proposed assignee or sublessee. Notwithstanding the foregoing, if Landlord elects to terminate the Lease as provided herein, Landlord shall notify Tenant thereof during such ten

(10) business day period and Tenant shall have ten (10) business days thereafter to either (i) accept Landlord's termination or (ii) rescind its request for consent to the assignment or subletting, in which case the Lease shall continue in full force and effect between Tenant and Landlord.

7.4 CONDITIONS TO LANDLORD'S CONSENT. If Landlord elects to consent, or shall have been ordered to so consent by a court of competent jurisdiction, to such requested assignment or subletting, such consent shall be expressly conditioned upon the occurrence of each of the conditions below set forth, and any purported assignment or subletting made or ordered prior to the full and complete satisfaction of each of the following conditions shall be void and, at the election of Landlord, which election may be exercised at any time following such a purported assignment or subletting but prior to the satisfaction of each of the stated conditions, shall constitute a material default by Tenant under this Lease until cured by satisfying in full each such condition by the assignee or sublessee. The conditions are as follows:

- (a) Landlord having approved in form and substance the assignment or sublease agreement and any ancillary documents, which approval shall not be unreasonably withheld by Landlord if the requirements of this Article 7 are otherwise complied with.
- (b) Each such sublessee or assignee having agreed, in writing satisfactory to Landlord and its counsel and for the benefit of Landlord, to assume, to be bound by, and to perform the obligations of this Lease to be performed by Tenant which relate to space being subleased.
- (c) Tenant having fully and completely performed all of its obligations under the terms of this Lease through and including the date of such assignment or subletting.
- (d) Tenant having reimbursed to Landlord all reasonable costs and reasonable attorneys' fees incurred by Landlord in conjunction with the processing and documentation of any such requested subletting or assignment.
- (e) Tenant having delivered to Landlord a complete and fully-executed duplicate original of such sublease agreement or assignment agreement (as applicable) and all related agreements.
- (f) Tenant having paid, or having agreed in writing to pay as to future payments, to Landlord fifty percent (50%) of all assignment consideration or excess rentals to be paid to Tenant or to any other on Tenant's behalf or for Tenant's benefit for such assignment or subletting as follows:
 - (i) If Tenant assigns its interest under this Lease and if all or a portion of the consideration for such assignment is to be paid by the assignee at the time of the assignment, that Tenant shall have paid to Landlord and Landlord shall have received an amount equal to fifty percent (50%) of the assignment consideration so paid or to be paid (whichever is the greater) at the time of the assignment by the assignee; or
 - (ii) If Tenant assigns its interest under this Lease and if Tenant is to receive all or a portion of the consideration for such assignment in future installments, that Tenant and Tenant's assignee shall have entered into a written agreement with and for the benefit of Landlord satisfactory to Landlord and its counsel whereby Tenant and Tenant's assignee jointly agree to pay to Landlord an amount equal to fifty percent (50%) of all such future assignment consideration installments to be paid by such assignee as and when such assignment consideration is so paid.
 - (iii) If Tenant subleases the Leased Premises, that Tenant and Tenant's sublessee shall have entered into a written agreement with and for the benefit of Landlord satisfactory to Landlord and its counsel whereby Tenant and Tenant's sublessee jointly agree to pay to Landlord fifty percent (50%) of all excess rentals to be paid by such sublessee as and when such excess rentals are so paid.

7.5 ASSIGNMENT CONSIDERATION AND EXCESS RENTALS DEFINED. For purposes of this Article, including any amendment to this Article by way of addendum or other writing, the term "assignment consideration" shall mean all consideration to be paid by the assignee to Tenant or to any other party on Tenant's behalf or for Tenant's benefit as consideration for such assignment, after deduction for reasonable leasing commissions and reasonable legal fees incurred by Tenant in connection with such assignment and, during the first six (6) years of the Lease Term, the cost of tenant improvements made by Tenant at Tenant's sole cost and expense to prepare the Leased Premises for the assignee, but without deduction for any other costs or expenses, and the term "excess rentals" shall mean all consideration to be paid by the sublessee to Tenant or to any other party on Tenant's behalf or for Tenant's benefit for the sublease of the Leased Premises in excess of the rent due to Landlord under the terms of this Lease for the same period, after deduction for reasonable leasing commissions and reasonable legal fees incurred by Tenant in connection with such sublease and, during the first six (6) years of the Lease Term, the cost of tenant improvements made by Tenant at Tenant's sole cost and expense to prepare the Leased Premises for the subtenant, but without deduction for any other costs or expenses. Tenant agrees that the portion of any assignment consideration and/or excess rentals arising from any assignment or subletting by Tenant which is to be paid to Landlord pursuant to this Article now is and shall then be the property of Landlord and not the property of Tenant.

7.6 PAYMENTS. All payments required by this Article to be made to Landlord shall be made in cash in full as and when they become due. At the time Tenant, Tenant's assignee or sublessee makes each such payment to Landlord, Tenant or Tenant's assignee or sublessee, as the case may be, shall deliver to Landlord an itemized statement in reasonable detail showing the method by which the amount due Landlord was calculated and certified by the party making such payment as true and correct.

7.7 GOOD FAITH. The rights granted to Tenant by this Article are granted in consideration of Tenant's express covenant that all pertinent allocations which are made by Tenant between the rental value of the Leased Premises and the value of any of Tenant's personal property which may be conveyed or leased generally concurrently with and which may reasonably be considered a part of the same transaction as the permitted assignment or subletting

shall be made fairly, honestly and in good faith. If Tenant shall breach this covenant, Landlord may immediately declare Tenant to be in default under the terms of this Lease and terminate this Lease and/or exercise any other rights and remedies Landlord would have under the terms of this Lease in the case of a material default by Tenant under this Lease.

7.8 EFFECT OF LANDLORD'S CONSENT. No subletting or assignment, even with the consent of Landlord, shall relieve Tenant of its personal and primary obligation to pay rent and to perform all of the other obligations to be performed by Tenant hereunder. Consent by Landlord to one or more assignments of Tenant's interest in this Lease or to one or more sublettings of the Leased Premises shall not be deemed to be a consent to any subsequent assignment or subletting. If Landlord shall have been ordered by a court of competent jurisdiction to consent to a requested assignment or subletting, or such an assignment or subletting shall have been ordered by a court of competent jurisdiction over the objection of Landlord, such assignment or subletting shall not be binding between the assignee (or sublessee) and Landlord until such time as all conditions set forth in Paragraph 7.4 above have been fully satisfied (to the extent not then satisfied) by the assignee or sublessee, including, without limitation, the payment to Landlord of all agreed assignment considerations and/or excess rentals then due Landlord.

ARTICLE 8

LIMITATION ON LANDLORD'S LIABILITY AND INDEMNITY

8.1 LIMITATION ON LANDLORD'S LIABILITY AND RELEASE. Landlord shall not be liable to Tenant for, and Tenant hereby releases Landlord and its partners, principals, members, officers, agents, employees, lenders, attorneys, and consultants from, any and all liability, whether in contract, tort or on any other basis, for any injury to or any damage sustained by Tenant, Tenant's agents, employees, contractors or invitees, any damage to Tenant's property, or any loss to Tenant's business, loss of Tenant's profits or other financial loss of Tenant resulting from or attributable to the condition of, the management of, the repair or maintenance of, the protection of, the supply of services or utilities to, the damage in or destruction of the Leased Premises, the Building, the Property or the Outside Areas, including without limitation (i) the failure, interruption, rationing or other curtailment or cessation in the supply of electricity, water, gas or other utility service to the Property, the Building or the Leased Premises; (ii) the vandalism or forcible entry into the Building or the Leased Premises; (iii) the penetration of water into or onto any portion of the Leased Premises; (iv) the failure to provide security and/or adequate lighting in or about the Property, the Building or the Leased Premises, (v) the existence of any design or construction defects within the Property, the Building or the Leased Premises; (vi) the failure of any mechanical systems to function properly (such as the HVAC systems); (vii) the blockage of access to any portion of the Property, the Building or the Leased Premises, except that Tenant does not so release Landlord from such liability to the extent such damage was proximately caused by Landlord's active negligence, willful misconduct, or Landlord's failure to perform an obligation expressly undertaken pursuant to this Lease after a reasonable period of time shall have lapsed following receipt of written notice from Tenant to so perform such obligation. In this regard, Tenant acknowledges that it is fully apprised of the provisions of Law relating to releases, and particularly to those provisions contained in Section 1542 of the California Civil Code which reads as follows:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

Notwithstanding such statutory provision, and for the purpose of implementing a full and complete release and discharge, Tenant hereby (i) waives the benefit of such statutory provision and (ii) acknowledges that, subject to the exceptions specifically set forth herein, the release and discharge set forth in this paragraph is a full and complete settlement and release and discharge of all claims and is intended to include in its effect, without limitation, all claims which Tenant, as of the date hereof, does not know of or suspect to exist in its favor.

8.2 TENANT'S INDEMNIFICATION OF LANDLORD. Tenant shall defend with competent counsel satisfactory to Landlord any claims made or legal actions filed or threatened against Landlord with respect to the violation of any Law, or the death, bodily injury, personal injury, property damage, or interference with contractual or property rights suffered by any third party, occurring within the Leased Premises or resulting from Tenant's use or occupancy of the Leased Premises, the Building or the Outside Areas, or resulting from Tenant's activities in or about the Leased Premises, the Building, the Outside Areas or the Property, and Tenant shall indemnify and hold Landlord, Landlord's partners, principals, members, employees, agents and contractors harmless from any loss liability, penalties, or expense whatsoever (including any loss attributable to vacant space which otherwise would have been leased, but for such activities) resulting therefrom, except to the extent proximately caused by the active negligence or willful misconduct of Landlord or Landlord's failure to perform an obligation expressly undertaken pursuant to this Lease after a reasonable period of time shall have lapsed following receipt of written notice from Tenant to so perform such obligation. This indemnity agreement shall survive the expiration or sooner termination of this Lease.

ARTICLE 9

INSURANCE

9.1 TENANT'S INSURANCE. Tenant shall maintain insurance complying with all of the following:

(a) Tenant shall procure, pay for and keep in full force and effect, at all times during the Lease Term, the following:

(i) Comprehensive general liability insurance insuring Tenant against liability for personal injury, bodily injury, death and damage to property occurring within the Leased Premises, or resulting from Tenant's use or occupancy of the Leased Premises, the Building, the Outside Areas or the Property, or resulting from Tenant's activities in or about the Leased Premises or the Property, with coverage in an amount equal to Tenant's Required Liability Coverage (as set forth in Article 1), which insurance shall contain a "broad form liability" endorsement insuring Tenant's performance of Tenant's obligations to indemnify Landlord as contained in this Lease.

(ii) Fire and property damage insurance in so-called "fire and extended coverage" form insuring Tenant against loss from physical damage to Tenant's personal property, inventory, trade fixtures and improvements within the Leased Premises with coverage for the full actual replacement cost thereof;

(iii) Plate glass insurance, at actual replacement cost;

(iv) Pressure vessel insurance, if applicable;

(v) Workers' compensation insurance and any other employee benefit insurance sufficient to comply with all laws; and

(vi) With respect to making of alterations or the construction of improvements or the like undertaken by Tenant, contingent liability and builder's risk insurance, in an amount and with coverage reasonably satisfactory to Landlord.

(b) Each policy of liability insurance required to be carried by Tenant pursuant to this paragraph or actually carried by Tenant with respect to the Leased Premises or the Property: (i) shall, except with respect to insurance required by subparagraph (a)(vi) above, name Landlord, and such others as are designated by Landlord, as additional insureds; (ii) shall be primary insurance providing that the insurer shall be liable for the full amount of the loss, up to and including the total amount of liability set forth in the declaration of coverage, without the right of contribution from or prior payment by any other insurance coverage of Landlord; (iii) shall be in a form satisfactory to Landlord; (iv) shall be carried with companies reasonably acceptable to Landlord with Best's ratings of at least A and XI; (v) shall provide that such policy shall not be subject to cancellation, lapse or change except after at least thirty days prior written notice to Landlord, and (vi) shall contain a so-called "severability" or "cross liability" endorsement. Each policy of property insurance maintained by Tenant with respect to the Leased Premises or the Property or any property therein (i) shall provide that such policy shall not be subject to cancellation, lapse or change except after at least thirty days prior written notice to Landlord and (ii) shall contain a waiver and/or a permission to waive by the insurer of any right of subrogation against Landlord, its partners, principals, members, officers, employees, agents and contractors, which might arise by reason of any payment under such policy or by reason of any act or omission of Landlord, its partners, principals, members, officers, employees, agents and contractors.

(c) Prior to the time Tenant or any of its contractors enters the Leased Premises, Tenant shall deliver to Landlord, with respect to each policy of insurance required to be carried by Tenant pursuant to this Article, a copy of such policy (appropriately authenticated by the insurer as having been issued, premium paid) or a certificate of the insurer certifying in form satisfactory to Landlord that a policy has been issued, premium paid, providing the coverage required by this Paragraph and containing the provisions specified herein. With respect to each renewal or replacement of any such insurance, the requirements of this Paragraph must be complied with not less than thirty days prior to the expiration or cancellation of the policies being renewed or replaced. Landlord may, at any time and from time to time, inspect and/or copy any and all insurance policies required to be carried by Tenant pursuant to this Article. If Landlord's Lender, insurance broker, advisor or counsel reasonably determines at any time that the amount of coverage set forth in Paragraph 9.1(a) for any policy of insurance Tenant is required to carry pursuant to this Article is not adequate, then Tenant shall increase the amount of coverage for such insurance to such greater amount as Landlord's Lender, insurance broker, advisor or counsel reasonably deems adequate.

9.2 LANDLORD'S INSURANCE. With respect to insurance maintained by Landlord:

(a) Landlord shall maintain, as the minimum coverage required of it by this Lease, fire and property damage insurance in so-called "fire and extended coverage" form insuring Landlord (and such others as Landlord may designate) against loss from physical damage to the Building with coverage of not less than one hundred percent (100%) of the full actual replacement cost thereof and against loss of rents for a period of not less than six months. Such fire and property damage insurance, at Landlord's election but without any requirements on Landlord's behalf to do so, (i) may be written in so-called "all risk" form, excluding only those perils commonly excluded from such coverage by Landlord's then property damage insurer; (ii) may provide coverage for physical damage to the improvements so insured for up to the entire full actual replacement cost thereof; (iii) may be endorsed to cover loss or damage caused by any additional perils against which Landlord may elect to insure, including earthquake and/or flood; and/or (iv) may provide coverage for loss of rents for a period of up to twelve months. Landlord shall not be required to cause such insurance to cover any of Tenant's personal property, inventory, and trade fixtures, or any modifications, alterations or improvements made or constructed by Tenant to or within the Leased Premises. Landlord shall use commercially reasonable efforts to obtain such insurance at competitive rates.

(b) Landlord shall maintain comprehensive general liability insurance insuring Landlord (and such others as are designated by Landlord) against liability for personal injury, bodily injury, death, and damage to property occurring in, on or about, or resulting from the use or occupancy of the Property, or any portion thereof, with combined single limit coverage of at least Three Million Dollars (\$3,000,000). Landlord may carry such greater

coverage as Landlord or Landlord's Lender, insurance broker, advisor or counsel may from time to time determine is reasonably necessary for the adequate protection of Landlord and the Property.

(c) Landlord may maintain any other insurance which in the opinion of its insurance broker, advisor or legal counsel is prudent in carry under the given circumstances, provided such insurance is commonly carried by owners of property similarly situated and operating under similar circumstances.

9.3 MUTUAL WAIVER OF SUBROGATION. Landlord hereby releases Tenant, and Tenant hereby releases Landlord and its respective partners, principals, members, officers, agents, employees and servants, from any and all liability for loss, damage or injury to the property of the other in or about the Leased Premises or the Property which is caused by or results from a peril or event or happening which is covered by insurance actually carried and in force at the time of the loss by the party sustaining such loss; provided, however, that such waiver shall be effective only to the extent permitted by the insurance covering such loss and to the extent such insurance is not prejudiced thereby.

ARTICLE 10

DAMAGE TO LEASED PREMISES

10.1 LANDLORD'S DUTY TO RESTORE. If the Leased Premises, the Building or the Outside Area are damaged by any peril after the Effective Date of this Lease, Landlord shall restore the same, as and when required by this paragraph, unless this Lease is terminated by Landlord pursuant to Paragraph 10.3 or by Tenant pursuant to Paragraph 10.4. If this Lease is not so terminated, then upon the issuance of all necessary governmental permits, Landlord shall commence and diligently prosecute to completion the restoration of the Leased Premises, the Building or the Outside Area, as the case may be, to the extent then allowed by law, to substantially the same condition in which it existed as of the Lease Commencement Date. Landlord's obligation to restore shall be limited to the improvements constructed by Landlord. Landlord shall have no obligation to restore any Improvements made by Tenant to the Leased Premises or any of Tenant's personal property, inventory or trade fixtures. Upon completion of the restoration by Landlord, Tenant shall forthwith replace or fully repair all of Tenant's personal property, inventory, trade fixtures and other improvements constructed by Tenant to like or similar conditions as existed at the time immediately prior to such damage or destruction.

10.2 INSURANCE PROCEEDS. All insurance proceeds available from the fire and property damage insurance carried by Landlord shall be paid to and become the property of Landlord. If this Lease is terminated pursuant to either Paragraph 10.3 or 10.4, all insurance proceeds available from insurance carried by Tenant which cover loss of property that is Landlord's property or would become Landlord's property on termination of this Lease shall be paid to and become the property of Landlord, and the remainder of such proceeds shall be paid to and become the property of Tenant. If this Lease is not terminated pursuant to either Paragraph 10.3 or 10.4, all insurance proceeds available from insurance carried by Tenant which cover loss to property that is Landlord's property shall be paid to and become the property of Landlord, and all proceeds available from such insurance which cover loss to property which would only become the property of Landlord upon the termination of this Lease shall be paid to and remain the property of Tenant. The determination of Landlord's property and Tenant's property shall be made pursuant to Paragraph 6.2.

10.3 LANDLORD'S RIGHT TO TERMINATE. Landlord shall have the option to terminate this Lease in the event any of the following occurs, which option may be exercised only by delivery to Tenant of a written notice of election to terminate within thirty days after the date of such damage or destruction:

(a) The Building is damaged by any peril covered by valid and collectible insurance actually carried by Landlord and in force at the time of such damage or destruction or by any peril which would have been covered by the insurance Landlord is required to maintain pursuant to Section 9.2 (an "Insured Peril") to such an extent that the estimated cost to restore the Building exceeds the lesser of (i) the insurance proceeds available from insurance actually carried by Landlord (or which Landlord was required to carry pursuant to Section 9.2(a) hereof) plus the amount of any deductible (up to a maximum amount of five percent (5%) of the replacement cost of the Building), plus any amount that the Tenant agrees in writing to contribute towards restoration, or
(ii) fifty percent of the then actual replacement cost of the Building;

(b) The Building is damaged by an uninsured peril, which peril Landlord was not required to insure against pursuant to the provisions of Article 9 of this Lease, provided, however, that, subject to the requirements of the holder of any deed of trust encumbering the Property, Landlord shall not have the right to terminate this Lease if Tenant notifies Landlord, within thirty (30) days after Tenant receives Landlord's written notice of termination pursuant to this

Section 10.3, that Tenant will pay for the cost of restoration of the Leased Premises, in excess of any insurance proceeds to be received by Landlord.

(c) The Building is damaged by any peril and, because of the laws then in force, the Building (i) cannot be restored at reasonable cost or (ii) if restored, cannot be used for the same use being made thereof before such damage.

10.4 TENANT'S RIGHT TO TERMINATE. If the Leased Premises, the Building or the Outside Area are damaged by any peril and Landlord does not elect to terminate this Lease or is not entitled to terminate this Lease pursuant to this Article, then as soon as reasonably practicable, Landlord shall furnish Tenant with the written opinion of Landlord's architect or construction consultant as to when the restoration work required of Landlord may be complete. Tenant shall have the option to terminate this Lease in the event any of the following occurs, which option may be exercised only by delivery to Landlord of a written notice of election to terminate within seven days after Tenant receives from

Landlord the estimate of the time needed to complete such restoration:

(a) If the time estimated to substantially complete the restoration exceeds nine (9) months from and after the date the architect's or construction consultant's written opinion is delivered; or

(b) If the damage occurred within twelve months of the last day of the Lease Term and the time estimated to substantially complete the restoration exceeds one hundred eighty days from and after the date such restoration is commenced.

10.5 TENANT'S WAIVER. Landlord and Tenant agree that the provisions of Paragraph 10.4 above, captioned "Tenant's Right To Terminate", are intended to supersede and replace the provisions contained in California Civil Code, Section 1932, Subdivision 2, and California Civil Code, Section 1934, and accordingly, Tenant hereby waives the provisions of such Civil Code Sections and the provisions of any successor Civil Code Sections or similar laws hereinafter enacted.

10.6 ABATEMENT OF RENT. In the event of damage to the Leased Premises which does not result in the termination of this Lease, the Base Monthly Rent (and any Additional Rent) shall be temporarily abated during the period of restoration in proportion in the degree to which Tenant's use of the Leased Premises is impaired by such damage.

ARTICLE 11

CONDEMNATION

11.1 TENANT'S RIGHT TO TERMINATE. Except as otherwise provided in Paragraph 11.4 below regarding temporary takings, Tenant shall have the option to terminate this Lease if, as a result of any taking, (i) all of the Leased Premises is taken, or (ii) twenty-five percent (25%) or more of the Leased Premises is taken and the part of the Leased Premises that remains cannot, within a reasonable period of time, be made reasonably suitable for the continued operation of Tenant's business, or (iii) or a portion of the Outside Area is taken such that the parking available to Tenant is reduced by more than twenty percent (20%), and the Landlord does not, within a reasonable period of time, provide alternative parking arrangements within a reasonable walking distance of the Leased Premises. Tenant must exercise such option within a reasonable period of time, to be effective on the later to occur of (i) the date that possession of that portion of the Leased Premises that is condemned is taken by the condemnor or (ii) the date Tenant vacated the Leased Premises.

11.2 LANDLORD'S RIGHT TO TERMINATE. Except as otherwise provided in Paragraph 11.4 below regarding temporary takings, Landlord shall have the option to terminate this Lease if, as a result of any taking, (i) all of the Leased Premises is taken, (ii) twenty-five percent (25%) or more of the Leased Premises is taken and the part of the Leased Premises that remains cannot, within a reasonable period of time, be made reasonably suitable for the continued operation of Tenant's business, or (iii) because of the laws then in force, the Leased Premises may not be used for the same use being made before such taking, whether or not restored as required by Paragraph 11.3 below. Any such option to terminate by Landlord must be exercised within a reasonable period of time, to be effective as of the date possession is taken by the condemnor.

11.3 RESTORATION. If any part of the Leased Premises or the Building is taken and this Lease is not terminated, then Landlord shall, to the extent not prohibited by laws then in force, repair any damage occasioned thereby to the remainder thereof to a condition reasonably suitable for Tenant's continued operations and otherwise, to the extent practicable, in the manner and to the extent provided in Paragraph 10.1.

11.4 TEMPORARY TAKING. If a portion of the Leased Premises is temporarily taken for a period of one year or less and such period does not extend beyond the Lease Expiration Date, this Lease shall remain in effect. If any portion of the Leased Premises is temporarily taken for a period which exceeds one year or which extends beyond the Lease Expiration Date, then the rights of Landlord and Tenant shall be determined in accordance with Paragraphs 11.1 and 11.2 above.

11.5 DIVISION OF CONDEMNATION AWARD. Any award made for any taking of the Property, the Building, or the Leased Premises, or any portion thereof, shall belong to and be paid to Landlord, and Tenant hereby assigns to Landlord all of its right, title and interest in any such award; provided, however, that Tenant shall be entitled to receive any portion of the award that is made specifically (i) for the taking of personal property, inventory or trade fixtures belonging to Tenant, (ii) for the interruption of Tenant's business or its moving costs, or (iii) for the value of any leasehold improvements installed and paid for by Tenant. The rights of Landlord and Tenant regarding any condemnation shall be determined as provided in this Article, and each party hereby waives the provisions of Section 1265.130 of the California Code of Civil Procedure, and the provisions of any similar law hereinafter enacted, allowing either party to petition the Supreme Court to terminate this Lease and/or otherwise allocate condemnation awards between Landlord and Tenant in the event of a taking of the Leased Premises.

11.6 ABATEMENT OF RENT. In the event of a taking of the Leased Premises which does not result in a termination of this Lease (other than a temporary taking), then, as of the date possession is taken by the condemning authority, the Base Monthly Rent shall be reduced in the same proportion that the area of that part of the Leased Premises so taken (less any addition to the area of the Leased Premises by reason of any reconstruction) bears to the area of the Leased Premises immediately prior to such taking.

11.7 TAKING DEFINED. The term "taking" or "taken" as used in this Article 11 shall mean any transfer or conveyance of all or any portion of the Property to a public or quasi-public agency or other entity having the power of eminent domain pursuant to or as a result of the exercise of such power by such an agency, including any inverse

condemnation and/or any sale or transfer by Landlord of all or any portion of the Property to such an agency under threat of condemnation or the exercise of such power.

ARTICLE 12

DEFAULT AND REMEDIES

12.1 EVENTS OF TENANT'S DEFAULT. Tenant shall be in default of its obligations under this Lease if any of the following events occur:

- (a) Tenant shall have failed to pay Base Monthly Rent or any Additional Rent within three (3) days after notice from Landlord that such rent is past due provided, however, that such notice shall be concurrent with, and not in addition to, any notice required by applicable Laws; or
- (b) Tenant shall have done or permitted to be done any act, use or thing in its use, occupancy or possession of the Leased Premises or the Building or the Outside Areas which is prohibited by the terms of this Lease or Tenant shall have failed to perform any term, covenant or condition of this Lease (except those requiring the payment of Base Monthly Rent or Additional Rent, which failures shall be governed by subparagraph (a) above) within thirty (30) days after written notice from Landlord to Tenant specifying the nature of such failure and requesting Tenant to perform same or within such longer period as is reasonably required in the event such default is curable but not within such thirty (30) day period, provided such cure is promptly commenced within such thirty (30) day period and is thereafter diligently prosecuted to completion; or
- (c) Tenant shall have sublet the Leased Premises or assigned or encumbered its interest in this Lease in violation of the provisions contained in Article 7, whether voluntarily or by operation of law; or
- (d) Tenant shall have abandoned the Leased Premises; or
- (e) Tenant or any Guarantor of this Lease shall have permitted or suffered the sequestration or attachment of, or execution on, or the appointment of a custodian or receiver with respect to, all or any substantial part of the property or assets of Tenant (or such Guarantor) or any property or asset essential to the conduct of Tenant's (or such Guarantor's) business, and Tenant (or such Guarantor) shall have failed to obtain a return or release of the same within thirty days thereafter, or prior to sale pursuant to such sequestration, attachment or levy, whichever is earlier; or
- (f) Tenant or any Guarantor of this Lease shall have made a general assignment of all or a substantial part of its assets for the benefit of its creditors; or
- (g) Tenant or any Guarantor of this Lease shall have allowed (or sought) to have entered against it a decree or order which: (i) grants or constitutes an order for relief, appointment of a trustee, or condemnation or a reorganization plan under the bankruptcy laws of the United States; (ii) approves as properly filed a petition seeking liquidation or reorganization under said bankruptcy laws or any other debtor's relief law or similar statute of the United States or any state thereof; or (iii) otherwise directs the winding up or liquidation of Tenant; provided, however, if any decree or order was entered without Tenant's consent or over Tenant's objection, Landlord may not terminate this Lease pursuant to this Subparagraph if such decree or order is rescinded or reversed within thirty days after its original entry; or
- (h) Tenant or any Guarantor of this Lease shall have availed itself of the protection of any debtor's relief law, moratorium law or other similar law which does not require the prior entry of a decree or order.
- (i) Tenant shall be in default of its obligations under any other Lease between Landlord and Tenant.

12.2 LANDLORD'S REMEDIES. In the event of any default by Tenant, and without limiting Landlord's right to indemnification as provided in Article 8.2, Landlord shall have the following remedies, in addition to all other rights and remedies provided by law or otherwise provided in this Lease, to which Landlord may resort cumulatively, or in the alternative:

- (a) Landlord may, at Landlord's election, keep this Lease in effect and enforce, by an action at law or in equity, all of its rights and remedies under this Lease including, without limitation, (i) the right to recover the rent and other sums as they become due by appropriate legal action, (ii) the right to make payments required by Tenant, or perform Tenant's obligations and be reimbursed by Tenant for the cost thereof with interest at the then maximum rate of interest not prohibited by law from the date the sum is paid by Landlord until Landlord is reimbursed by Tenant, and (iii) the remedies of injunctive relief and specific performance to prevent Tenant from violating the terms of this Lease and/or to compel Tenant to perform its obligations under this Lease, as the case may be.
- (b) Landlord may, at Landlord's election, terminate this Lease by giving Tenant written notice of termination, in which event this Lease shall terminate on the date set forth for termination in such notice, in which event Tenant shall immediately surrender the Leased Premises to Landlord, and if Tenant fails to do so, Landlord may, without prejudice to any other remedy which it may have for possession or arrearages in rent, enter upon and take possession of the Leased Premises and expel or remove Tenant and any other person who may be occupying the Leased Premises or any part thereof, without being liable for prosecution or any claim or damages therefor. Any termination under this subparagraph shall not relieve Tenant from its obligation to pay to Landlord all Base Monthly Rent and Additional Rent then or thereafter due,

or any other sums due or thereafter accruing to Landlord, or from

any claim against Tenant for damages previously accrued or then or thereafter accruing. In no event shall any one or more of the following actions by Landlord, in the absence of a written election by Landlord to terminate this Lease constitute a termination of this Lease:

(i) Appointment of a receiver or keeper in order to protect Landlord's interest hereunder;

(ii) Consent to any subletting of the Leased Premises or assignment of this Lease by Tenant, whether pursuant to the provisions hereof or otherwise; or

(iii) Any action taken by Landlord or its partners, principals, members, officers, agents, employees, or servants, which is intended to mitigate the adverse effects of any breach of this Lease by Tenant, including, without limitation, any action taken to maintain and preserve the Leased Premises on any action taken to relet the Leased Premises or any portion thereof for the account at Tenant and in the name of Tenant.

(c) In the event Tenant breaches this Lease and abandons the Leased Premises, Landlord may terminate this Lease, but this Lease shall not terminate unless Landlord gives Tenant written notice of termination. If Landlord does not terminate this Lease by giving written notice of termination, Landlord may enforce all its rights and remedies under this Lease, including the right and remedies provided by California Civil Code Section 1951.4 ("lessor may continue lease in effect after lessee's breach and abandonment and recover rent as it becomes due, if lessee has right to sublet or assign, subject only to reasonable limitations"), as in effect on the Effective Date of this Lease.

(d) In the event Landlord terminates this Lease, Landlord shall be entitled, at Landlord's election, to the rights and remedies provided in California Civil Code Section 1951.2, as in effect on the Effective Date of this Lease. For purposes of computing damages pursuant to Section 1951.2, an interest rate equal to the maximum rate of interest then not prohibited by law shall be used where permitted. Such damages shall include, without limitation:

(i) The worth at the time of the award of the unpaid rent which had been earned at the time of termination;

(ii) The worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that Tenant proves could be reasonably avoided, computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco, at the time of award plus one percent; and

(iii) Any other amount necessary to compensate Landlord for all detriment proximately caused by Tenant's failure to perform Tenant's obligations under this Lease, or which in the ordinary course of things would be likely to result therefrom, including without limitation, the following: (i) expenses for cleaning, repairing or restoring the Leased Premises, (ii) expenses for altering, remodeling or otherwise improving the Leased Premises for the purpose of reletting, including removal of existing leasehold improvements and/or installation of additional leasehold improvements (regardless of how the same is funded, including reduction of rent, a direct payment or allowance to a new tenant, or otherwise), (iii) broker's fees allocable to the remainder of the term of this Lease, advertising costs and other expenses of reletting the Leased Premises; (iv) costs of carrying and maintaining the Leased Premises, such as taxes, insurance premiums, utility charges and security precautions, (v) expenses incurred in removing, disposing of and/or storing any of Tenant's personal property, inventory or trade fixtures remaining therein; (vi) reasonable attorney's fees, expert witness fees, court costs and other reasonable expenses incurred by Landlord (but not limited to taxable costs) in retaking possession of the Leased Premises, establishing damages hereunder, and releasing the Leased Premises; and (vii) any other expenses, costs or damages otherwise incurred or suffered as a result of Tenant's default.

12.3 LANDLORD'S DEFAULT AND TENANT'S REMEDIES. In the event Landlord fails to perform its obligations under this Lease, Landlord shall nevertheless not be in default under the terms of this Lease until such time as Tenant shall have first given Landlord written notice specifying the nature of such failure to perform its obligations, and then only after Landlord shall have had thirty (30) days following its receipt of such notice within which to perform such obligations; provided that, if longer than thirty (30) days is reasonably required in order to perform such obligations, Landlord shall have such longer period. In the event of Landlord's default as above set forth, then, and only then, Tenant may then proceed in equity or at law to compel Landlord to perform its obligations and/or to recover damages proximately caused by such failure to perform (except as and to the extent Tenant has waived its right to damages as provided in this Lease).

12.4 LIMITATION OF TENANT'S RECOURSE. If Landlord is a corporation, trust, partnership, joint venture, limited liability company, unincorporated association, or other form of business entity, Tenant agrees that (i) the obligations of Landlord under this Lease shall not constitute personal obligations of the officers, directors, trustees, partners, joint venturers, members, owners, stockholders, or other principals of such business entity, and

(ii) Tenant shall have recourse only to the property of such corporation, trust, partnership, joint venture, limited liability company, unincorporated association, or other form of business entity for the satisfaction of such obligations and not against the assets of such officers, directors, trustees, partners, joint venturers, members, owners, stockholders or principals. Additionally, if Landlord is a partnership or limited liability company, then Tenant covenants and agrees:

(a) No partner or member of Landlord shall be sued or named as a party in any suit or action brought by Tenant with respect to any alleged breach of this Lease (except to the extent necessary to secure jurisdiction over the partnership and then only for that sole purpose);

(b) No service of process shall be made against any partner or member of Landlord except for the sole purpose of securing jurisdiction over the partnership; and

(c) No writ of execution will ever be levied against the assets of any partner or member of Landlord other than to the extent of his or her interest in the assets of the partnership or limited liability company constituting Landlord.

Tenant further agrees that each of the foregoing covenants and agreements shall be enforceable by Landlord and by any partner or member of Landlord and shall be applicable to any actual or alleged misrepresentation or nondisclosure made regarding this Lease or the Leased Premises or any actual or alleged failure, default or breach of any covenant or agreement either expressly or implicitly contained in this Lease or imposed by statute or at common law.

12.5 TENANT'S WAIVER. Landlord and Tenant agree that the provisions of Paragraph 12.3 above are intended to supersede and replace the provisions of California Civil Code Sections 1932(1), 1941 and 1942, and accordingly, Tenant hereby waives the provisions of California Civil Code Sections 1932(1), 1941 and 1942 and/or any similar or successor law regarding Tenant's right to terminate this Lease or to make repairs and deduct the expenses of such repairs from the rent due under this Lease.

ARTICLE 13

GENERAL PROVISIONS

13.1 TAXES ON TENANT'S PROPERTY. Tenant shall pay before delinquency any and all taxes, assessments, license fees, use fees, permit fees and public charges of whatever nature or description levied, assessed or imposed against Tenant or Landlord by a governmental agency arising out of, caused by reason of or based upon Tenant's estate in this Lease, Tenant's ownership of property, improvements made by Tenant to the Leased Premises or the Outside Areas, improvements made by Landlord for Tenant's use within the Leased Premises or the Outside Areas, Tenant's use (or estimated use) of public facilities or services or Tenant's consumption (or estimated consumption) of public utilities, energy, water or other resources (collectively, "Tenant's Interest"). Upon demand by Landlord, Tenant shall furnish Landlord with satisfactory evidence of these payments. If any such taxes, assessments, fees or public charges are levied against Landlord, Landlord's property, the Building or the Property, or if the assessed value of the Building or the Property is increased by the inclusion therein of a value placed upon Tenant's Interest, regardless of the validity thereof, Landlord shall have the right to require Tenant to pay such taxes, and if not paid and satisfactory evidence of payment delivered to Landlord at least ten days prior to delinquency, then Landlord shall have the right to pay such taxes on Tenant's behalf and to invoice Tenant for the same. Tenant shall, within the earlier to occur of (a) thirty (30) days of the date it receives an invoice from Landlord setting forth the amount of such taxes, assessments, fees, or public charge so levied, or (b) the due date of such invoice, pay to Landlord, as Additional Rent, the amount set forth in such invoice. Failure by Tenant to pay the amount so invoiced within such time period shall be conclusively deemed a default by Tenant under this Lease. Tenant shall have the right to bring suit in any court of competent jurisdiction to recover from the taxing authority the amount of any such taxes, assessments, fees or public charges so paid.

13.2 HOLDING OVER. This Lease shall terminate without further notice on the Lease Expiration Date (as set forth in Article 1). Any holding over by Tenant after expiration of the Lease Term shall neither constitute a renewal nor extension of this Lease nor give Tenant any rights in or to the Leased Premises except as expressly provided in this Paragraph. Any such holding over to which Landlord has consented shall be construed to be a tenancy from month to month, on the same terms and conditions herein specified insofar as applicable, except that the Base Monthly Rent shall be increased to an amount equal to one hundred fifty percent (150%) of the Base Monthly Rent payable during the last full month immediately preceding such holding over. Tenant acknowledges that if Tenant holds over without Landlord's consent, such holding over may compromise or otherwise affect Landlord's ability to enter into new leases with prospective tenants regarding the Leased Premises. Therefore, if Tenant fails to surrender the Leased Premises upon the expiration or termination of this Lease, in addition to any other liabilities to Landlord accruing therefrom, Tenant shall protect, defend, indemnify and hold Landlord harmless from and against all claims resulting from such failure, including, without limiting the foregoing, any claims made by any succeeding tenant founded upon such failure to surrender, and any losses suffered by Landlord, including lost profits, resulting from such failure to surrender.

13.3 SUBORDINATION TO MORTGAGES. This Lease is subject to and subordinate to all ground leases, mortgages and deeds of trust which affect the Building or the Property and which are of public record as of the Effective Date of this Lease, and to all renewals, modifications, consolidations, replacements and extensions thereof. However, if the lessor under any such ground lease or any lender holding any such mortgage or deed of trust shall advise Landlord that it desires or requires this Lease to be made prior and superior thereto, then, upon written request of Landlord to Tenant, Tenant shall promptly execute, acknowledge and deliver any and all customary or reasonable documents or instruments which Landlord and such lessor or lender deems necessary or desirable to make this Lease prior thereto. Tenant hereby consents to Landlord's ground leasing the land underlying the Building or the Property and/or encumbering the Building or the Property as security for future loans on such terms as Landlord shall desire, all of which future ground leases, mortgages or deeds of trust shall be subject to and subordinate to this Lease. However, if any lessor under any such future ground lease or any lender holding such future mortgage or deed of trust shall desire or require that this Lease be made subject to and subordinate to such future ground lease, mortgage or deed of trust, then Tenant agrees, within ten (10) days after Landlord's written request therefor, to execute, acknowledge and deliver to Landlord any and all documents or instruments reasonably requested by Landlord or by such lessor or lender as may be necessary or proper to assure the subordination of this Lease to such future ground lease, mortgage or deed of trust, but only if such lessor or lender agrees to recognize Tenant's rights under this Lease and agrees not

to disturb Tenant's quiet possession of the Leased Premises so long as Tenant is not in default under this Lease. If Landlord assigns the Lease as security for a loan, Tenant agrees to execute such documents as are reasonably requested by the lender and to provide reasonable provisions in the Lease protecting such lender's security interest which are customarily required by institutional lenders making loans secured by a deed of trust provided that such documents do not materially increase Tenant's obligations under this Lease.

13.4 TENANT'S ATTORNMENMENT UPON FORECLOSURE. Tenant shall, upon request, attorn

(i) to any purchaser of the Building or the Property at any foreclosure sale or private sale conducted pursuant to any security instruments encumbering the Building or the Property, (ii) to any grantee or transferee designated in any deed given in lieu of foreclosure of any security interest encumbering the Building or the Property, or (iii) to the lessor under an underlying ground lease of the land underlying the Building or the Property, should such ground lease be terminated; provided that such purchaser, grantee or lessor recognizes Tenant's rights under this Lease.

13.5 MORTGAGEE PROTECTION. In the event of any default on the part of Landlord, Tenant will give notice by registered mail to any Lender or lessor under any underlying ground lease who shall have requested, in writing, to Tenant that it be provided with such notice, and Tenant shall offer such Lender or lessor a reasonable opportunity to cure the default, including time to obtain possession of the Leased Premises by power of sale or judicial foreclosure or other appropriate legal proceedings if reasonably necessary to effect a cure.

13.6 ESTOPPEL CERTIFICATE. Tenant will, following any request by Landlord, promptly execute and deliver to Landlord an estoppel certificate substantially in form attached as Exhibit B, (i) certifying that this Lease is unmodified and in full force and effect, or, if modified, stating the nature of such modification and certifying that this Lease, as so modified, is in full force and effect, (ii) stating the date to which the rent and other charges are paid in advance, if any, (iii) acknowledging that there are not, to Tenant's knowledge, any uncured defaults on the part of Landlord hereunder, or specifying such defaults if any are claimed, and (iv) certifying such other information about this Lease as may be reasonably requested by Landlord, its Lender or prospective lenders, investors or purchasers of the Building or the Property. Tenant's failure to execute and deliver such estoppel certificate within ten days after Landlord's request therefor shall be a material default by Tenant under this Lease, and Landlord shall have all of the rights and remedies available to Landlord as Landlord would otherwise have in the case of any other material default by Tenant, including the right to terminate this Lease and sue for damages proximately caused thereby, it being agreed and understood by Tenant that Tenant's failure to so deliver such estoppel certificate in a timely manner could result in Landlord being unable to perform committed obligations to other third parties which were made by Landlord in reliance upon this covenant of Tenant. Landlord and Tenant intend that any statement delivered pursuant to this paragraph may be relied upon by any Lender or purchaser or prospective Lender or purchaser of the Building, the Property, or any interest in them.

13.7 TENANT'S FINANCIAL INFORMATION. Tenant shall, within ten business days after Landlord's request therefor, deliver to Landlord a copy of Tenant's (and any guarantor's) current financial statements (including a balance sheet, income statement and statement of cash flow, all prepared in accordance with generally accepted accounting principles) and any such other information reasonably requested by Landlord regarding Tenant's financial condition. Landlord shall be entitled to disclose such financial statements or other information to its Lender, to any present or prospective principal of or investor in Landlord, or to any prospective Lender or purchaser of the Building, the Property, or any portion thereof or interest therein. Any such financial statement or other information which is marked "confidential" or "company secrets" (or is otherwise similarly marked by Tenant) shall be confidential and shall not be disclosed by Landlord to any third party except as specifically provided in this paragraph and then only if the person to whom disclosure is made first agrees to be bound by the requirements of this Section 13.7, unless the same becomes a part of the public domain without the fault of Landlord.

13.8 TRANSFER BY LANDLORD. Landlord and its successors in interest shall have the right to transfer their interest in the Building, the Property, or any portion thereof at any time and to any person or entity. In the event of any such transfer, the Landlord originally named herein (and in the case of any subsequent transfer, the transferor), from the date of such transfer, (i) shall be automatically relieved, without any further act by any person or entity, of all liability for the performance of the obligations of the Landlord hereunder which may accrue after the date of such transfer so long as the Security Deposit (or the remaining amount of such Security Deposit after deductions made in accordance with Section 3.7 of this Lease) is transferred to the transferee (or returned to the Tenant) and the transferee has agreed to assume and perform all such obligations which may accrue after the date of such transfer and (ii) shall be relieved of all liability for the performance of the obligations of the Landlord hereunder which have accrued before the date of transfer if its transferee agrees to assume and perform all such prior obligations of the Landlord hereunder. Tenant shall attorn to any such transferee. After the date of any such transfer, the term "Landlord" as used herein shall mean the transferee of such interest in the Building or the Property.

13.9 FORCE MAJEURE. The obligations of each of the parties under this Lease (other than the obligations to pay money) shall be temporarily excused if such party is prevented or delayed in performing such obligations by reason of any strikes, lockouts or labor disputes; government restrictions, regulations, controls, action or inaction; civil commotion; or extraordinary weather, fire or other acts of God.

13.10 NOTICES. Any notice required or permitted to be given under this Lease shall be in writing and (i) personally delivered, (ii) sent by United States mail, registered or certified mail, postage prepaid, return receipt requested, (iii) sent by Federal Express or similar nationally recognized overnight courier service, or (iv) transmitted by facsimile with a hard copy sent within one (1) business day by any of the foregoing means, and in all cases addressed as follows, and such notice shall be deemed to have been given upon the date of actual receipt or delivery (or refusal to accept delivery) at the address specified below (or such other addresses as may be specified by notice in the foregoing manner) as indicated on the return receipt or air bill:

IF TO LANDLORD: Mathilda Associates LLC
c/o Menlo Equities LLC
525 University Avenue
Suite 100
Palo Alto, California 94301
Attention: Henry Bullock/Richard Holmstrom

with a copy to Beacon Capital Partners Inc.
One Federal Street, 26th Floor
Boston, Massachusetts 02110
Attention: General Counsel

and to: Cooley Godward LLP
One Maritime Plaza
20th Floor
San Francisco, California 94111
Attention: Paul Churchill

IF TO TENANT: Prior to May 1, 2000:

Juniper Networks, Inc.
385 Ravendale Drive
Mountain View, California 94043

After May 1, 2000:

1194 Mathilda Avenue
Sunnyvale, California 94089
Attention: General Counsel

with a copy to: Wilson Sonsini Goodrich & Rosati
650 Page Mill Road
Palo Alto, California 94304
Attention: Bradford C. O'Brien

Any notice given in accordance with the foregoing shall be deemed received upon actual receipt or refusal to accept delivery.

13.11 ATTORNEYS' FEES. In the event any party shall bring any action, arbitration proceeding or legal proceeding alleging a breach of any provision of this Lease, to recover rent, to terminate this Lease, or to enforce, protect, determine or establish any term or covenant of this Lease or rights or duties hereunder of either party, the prevailing party shall be entitled to recover from the non-prevailing party as a part of such action or proceeding, or in a separate action for that purpose brought within one year from the determination of such proceeding, reasonable attorneys' fees, expert witness fees, court costs and other reasonable expenses incurred by the prevailing party.

13.12 DEFINITIONS. Any term that is given a special meaning by any provision in this Lease shall, unless otherwise specifically stated, have such meaning wherever used in this Lease or in any Addenda or amendment hereto. In addition to the terms defined in Article 1, the following terms shall have the following meanings:

(a) **REAL PROPERTY TAXES.** The term "Real Property Tax" or "Real Property Taxes" shall each mean the sum of Tenant's Property Share (as to the land component of the Property) and Tenant's Expense Share (as to the Building and other improvements in the Outside Areas) of (i) all taxes, assessments, levies and other charges of any kind or nature whatsoever, general and special, foreseen and unforeseen (including all instruments of principal and interest required to pay any general or special assessments for public improvements and any increases resulting from reassessments caused by any change in ownership or new construction), now or hereafter imposed by any governmental or quasi-governmental authority or special district having the direct or indirect power to tax or levy assessments, which are levied or assessed for whatever reason against the Property or any portion thereof, or Landlord's interest herein, or the fixtures, equipment and other property of Landlord that is an integral part of the Property and located thereon, or Landlord's business of owning, leasing or managing the Property or the gross receipts, income or rentals from the Property, (ii) all charges, levies or fees imposed by any governmental authority against Landlord by reason of or based upon the use of or number of parking spaces within the Property, the amount of public services or public utilities used or consumed (e.g. water, gas, electricity, sewage or waste water disposal) at the Property, the number of person employed by tenants of the Property, the size (whether measured in area, volume, number of tenants or whatever) or the value of the Property, or the type of use or uses conducted within the Property, and all costs and fees (including attorneys' fees) reasonably incurred by Landlord in contesting any Real Property Tax and in negotiating with public authorities as to any Real Property Tax. If, at any time during the Lease Term, the taxation or assessment of the Property prevailing as of the Effective Date of this Lease shall be altered so that in lieu of or in addition to any the Real Property Tax described above there shall be levied, awarded or imposed (whether by reason of a change in the method of taxation or assessment, creation of a new tax or charge, or any other cause) an alternate, substitute, or additional use or charge (i) on the value, size, use or occupancy of the Property or Landlord's interest therein or (ii) on or measured by the gross receipts, income or rentals from the Property, or on Landlord's business of owning, leasing or managing the Property or (iii) computed in any manner with respect to the operation of the Property, then any such tax or charge, however designated, shall be included within the meaning of the terms "Real Property Tax" or "Real Property Taxes" for purposes of this Lease. If any

Real Property Tax is partly based upon property or rents unrelated to the Property, then only that part of such Real Property Tax that is fairly allocable to the Property shall be included within the meaning of the terms "Real Property Tax" or "Real Property Taxes." Notwithstanding the foregoing, the terms "Real Property Tax" or "Real Property Taxes" shall not include estate, inheritance, transfer, gift or franchise taxes of Landlord or the federal or state income tax imposed on Landlord's income from all sources.

(b) **LANDLORD'S INSURANCE COSTS.** The term "Landlord's Insurance Costs" shall mean Tenant's Expense Share of the costs to Landlord to carry and maintain the policies of fire and property damage insurance for the Building and Tenant's Property Share of the costs to Landlord to carry and maintain the policies of fire and property damage insurance on the Property and general liability and any other insurance required or permitted to be carried by Landlord pursuant to Article 9, together with any deductible amounts paid by Landlord upon the occurrence of any insured casualty or loss. Any deductible amount in excess of twenty five (25%) of the total casualty shall be amortized over the useful life of the repair or replacement required to restore the Property after such casualty, and the amortized portion shall be included on a monthly basis in Landlord's Insurance Costs. Notwithstanding the foregoing, Landlord's Insurance Costs shall not include the cost of any course of construction insurance carried by Landlord for the construction of the 1184 Building. Notwithstanding the foregoing, if Tenant terminates this Lease pursuant to Section 10.4 hereof, Tenant shall not be required to pay for any insurance deductibles as part of Landlord's Insurance Costs or otherwise.

(c) **PROPERTY MAINTENANCE COSTS.** The term "Property Maintenance Costs" shall mean Tenant's Property Share of all costs and expenses (except Landlord's Insurance Costs and Real Property Taxes) paid or incurred by Landlord in protecting, operating, maintaining, repairing and preserving the Property and all parts thereof, including without limitation, (i) market rate professional management fees of no more than two percent (2%) of Base Monthly Rent, (ii) the amortizing portion of any costs incurred by Landlord in the making of any modifications, alterations or improvements required by any governmental authority as set forth in Article 6, which are so amortized during the Lease Term, (iii) any and all on-going operation or maintenance costs imposed on the Property by or through any development agreement, use permit, site development agreement, traffic mitigation plan, entitlement, or Private Restrictions (including but not limited to shuttle and emergency transportation), and (iv) such other costs as may be paid or incurred with respect to operating, maintaining, and preserving the Property, repairing and resurfacing paved areas, and repairing and replacing, when necessary, electrical, plumbing, heating, ventilating and air conditioning systems serving the Building, provided that the cost of any capital improvement shall be amortized over the useful life of such improvement and the amortizing portion of the cost shall be included in Property Maintenance Costs. If any costs and expenses are partly based upon property or rents unrelated to the Property, then only that part of such Property Maintenance Costs that is fairly allocable to the Property shall be included within the meaning of the terms "Property Maintenance Costs." Notwithstanding the foregoing provisions of this Section 13.12(c), the following are specifically excluded from the definition of Property Maintenance Costs and Tenant shall have no obligation to pay directly or reimburse Landlord for all or any portion of the following except to the extent any of the foregoing are caused by the actions or inactions of Tenant, or result from the failure of Tenant to comply with the terms of the Lease: (a) costs of development or construction on the Property (other than on-going operation or maintenance costs as set forth in (iii) above); (b) the costs to repair or replace the structural portions of the Building or other buildings on the Property, including, without limitation, the foundation, footings, roof structure, roof screens, roof screen penetrations, and load bearing and exterior walls of the Building or any other building located on the Property; (c) depreciation, amortization or other expense reserves; (d) interest, charges and fees incurred on debt, payments on mortgages and rent under ground leases; (e) costs and expenses for which Tenant reimburses Landlord directly or which Tenant pays directly to a third person or costs for which Landlord has a right of reimbursement from others; (f) costs occasioned by the active negligence or willful misconduct of Landlord or any other occupant of the Property or violations of Law by Landlord or any other occupant of the Property, (g) or costs to correct any construction defect in the Leased Premises, the Building or the Property; or (h) capital costs incurred to bring the Building or the Property into compliance with the Use Permit, any CC&R's, underwriter's requirements, or Laws applicable to the Leased Premises, the Building or the Property at the time the building permit for the Base Building (as defined in the Work Letter) is issued.

(d) **PROPERTY OPERATING EXPENSES.** The term "Property Operating Expenses" shall mean and include all Real Property Taxes, plus all Landlord's Insurance Costs, plus all Property Maintenance Costs.

(e) **LAW.** The term "Law" shall mean any judicial decisions and any statute, constitution, ordinance, resolution, regulation, rule, administrative order, or other requirements of any municipal, county, state, federal, or other governmental agency or authority having jurisdiction over the parties to this Lease, the Leased Premises, the Building or the Property, or any of them, in effect either at the Effective Date of this Lease or at any time during the Lease Term, including, without limitation, any regulation, order, or policy of any quasi-official entity or body (e.g. a board of fire examiners or a public utility or special district).

(f) **LENDER.** The term "Lender" shall mean the holder of any promissory note or other evidence of indebtedness secured by the Property or any portion thereof.

(g) **PRIVATE RESTRICTIONS.** The term "Private Restrictions" shall mean (as they may exist from time to time) any and all covenants, conditions and restrictions, private agreements, easements, and any other recorded documents or instruments affecting the use of the Property, the Building, the Leased Premises, or the Outside Areas.

(h) **RENT.** The term "Rent" shall mean collectively Base Monthly Rent and all Additional Rent.

13.13 GENERAL WAIVERS. One party's consent to or approval of any act by the other party requiring the first party's consent or approval shall not be deemed to waive or render unnecessary the first party's consent to or approval of any subsequent similar act by the other party. No waiver of any provision hereof, or any waiver of any

breach of any provision hereof, shall be effective unless in writing and signed by the waiving party. The receipt by Landlord of any rent or payment with or without knowledge of the breach of any other provision hereof shall not be deemed a waiver of any such breach. No waiver of any provision of this Lease shall be deemed a continuing waiver unless such waiver specifically states so in writing and is signed by both Landlord and Tenant. No delay or omission in the exercise of any right or remedy accruing to either party upon any breach by the other party under this Lease shall impair such right or remedy or be construed as a waiver of any such breach theretofore or thereafter occurring. The waiver by either party of any breach of any provision of this Lease shall not be deemed to be a waiver of any subsequent breach of the same or any other provisions herein contained.

13.14 MISCELLANEOUS. Should any provisions of this Lease prove to be invalid or illegal, such invalidity or illegality shall in no way affect, impair or invalidate any other provisions hereof, and such remaining provisions shall remain in full force and effect. Time is of the essence with respect to the performance of every provision of this Lease in which time of performance is a factor. Any copy of this Lease which is executed by the parties shall be deemed an original for all purposes. This Lease shall, subject to the provisions regarding assignment, apply to and bind the respective heirs, successors, executors, administrators and assigns of Landlord and Tenant. The term "party" shall mean Landlord or Tenant as the context implies. If Tenant consists of more than one person or entity, then all members of Tenant shall be jointly and severally liable hereunder. This Lease shall be construed and enforced in accordance with the Laws of the State in which the Leased Premises are located. The captions in this Lease are for convenience only and shall not be construed in the construction or interpretation of any provision hereof. When the context of this Lease requires, the neuter gender includes the masculine, the feminine, a partnership, corporation, limited liability company, joint venture, or other form of business entity, and the singular includes the plural. The terms "must," "shall," "will," and "agree" are mandatory. The term "may" is permissive. When a party is required to do something by this Lease, it shall do so at its sole cost and expense without right of reimbursement from the other party unless specific provision is made therefor. Where Landlord's consent is required hereunder, the consent of any Lender shall also be required. Landlord and Tenant shall both be deemed to have drafted this Lease, and the rule of construction that a document is to be construed against the drafting party shall not be employed in the construction or interpretation of this Lease. Where Tenant is obligated not to perform any act or is not permitted to perform any act, Tenant is also obligated to restrain any others reasonably within its control, including agents, invitees, contractors, subcontractors and employees, from performing such act. Landlord shall not become or be deemed a partner or a joint venturer with Tenant by reason of any of the provisions of this Lease.

13.15 COOPERATION. Notwithstanding anything to the contrary contained herein, Tenant consents to and agrees to fully cooperate with Landlord and Landlord's agents, employees and contractors in Landlord's efforts, if any, to improve the Property with an additional building and divide the Property into separate legal parcels, which efforts may include, without limitation, the elimination of landscaping, the restriping or reconfiguration of the parking areas, application for building permits and other development approvals, parcelization of the Property and construction of buildings. Tenant agrees to execute such documents and take such actions as reasonably necessary to assist Landlord with such efforts and actions. Tenant agrees that such efforts and actions of Landlord shall not constitute constructive eviction of Tenant from the Property or Leased Premises. Following any parcelization of the Property, Landlord and Tenant agree to amend this Lease to conform the descriptions of the Property, Site Plan, and Outside Areas, and, subject to Section 4.5, the parking areas contained herein to the parcelization and reconfiguration. Landlord agrees to minimize the disruption of Tenant's use of the Leased Premises, the Building, the Outside Areas and the Property to the extent reasonable, given Landlord's efforts and actions described herein. Specifically, during construction of the 1184 Building, Landlord shall cause all construction trucks to enter the Property from the drive furthest from the Building on 5th Avenue and all grading on the Property for construction of the Building and the 1184 Building (other than grading for landscaping) shall be done at the same time.

ARTICLE 14

CORPORATE AUTHORITY BROKERS AND ENTIRE AGREEMENT

14.1 CORPORATE AUTHORITY. If Tenant is a corporation, each individual executing this Lease on behalf of such corporation represents and warrants that Tenant is validly formed and duly authorized and existing, that Tenant is qualified to do business in the State in which the Leased Premises are located, that Tenant has the full right and legal authority to enter into this Lease, and that he or she is duly authorized to execute and deliver this Lease on behalf of Tenant in accordance with its terms. Tenant shall, within thirty days after execution of this Lease, deliver to Landlord a certified copy of the resolution of its board of directors authorizing or ratifying the execution of this Lease and if Tenant fails to do so, Landlord at its sole election may elect to terminate this Lease.

14.2 BROKERAGE COMMISSIONS. Tenant represents, warrants and agrees that it has not had any dealings with any real estate broker(s), leasing agent(s), finder(s) or salesmen, other than the Brokers (as named in Article 1) with respect to the lease by it of the Leased Premises pursuant to this Lease, and that it will assume all obligations and responsibility with respect to the payment of such Brokers, and that it will indemnify, defend with competent counsel, and hold Landlord harmless from any liability for the payment of any real estate brokerage commissions, leasing commissions or finder's fees claimed by any other real estate broker(s), leasing agent(s), finder(s), or salesmen to be earned or due and payable by reason of Tenant's agreement or promise (implied or otherwise) to pay (or to have Landlord pay) such a commission or finder's fee by reason of its leasing the Leased Premises pursuant to this Lease.

14.3 ENTIRE AGREEMENT. This Lease and the Exhibits (as described in Article 1), which Exhibits are by this reference incorporated herein, constitute the entire agreement between the parties, and there are no other agreements, understandings or representations between the parties relating to the lease by Landlord of the Leased

Premises to Tenant, except as expressed herein. No subsequent changes, modifications or additions to this Lease shall be binding upon the parties unless in writing and signed by both Landlord and Tenant.

14.4 LANDLORD'S REPRESENTATIONS. Tenant acknowledges that neither Landlord nor any of its agents made any representations or warranties respecting the Property, the Building or the Leased Premises, upon which Tenant relied in entering into the Lease, which are not expressly set forth in this Lease. Tenant further acknowledges that neither Landlord nor any of its agents made any representations as to (i) whether the Leased Premises may be used for Tenant's intended use under existing Law, or (ii) the suitability of the Leased Premises for the conduct of Tenant's business, or (iii) the exact square footage of the Leased Premises, and that Tenant relies solely upon its own investigations with respect to such matters. Tenant expressly waives any and all claims for damage by reason of any statement, representation, warranty, promise or other agreement of Landlord or Landlord's agent(s), if any, not contained in this Lease or in any Exhibit attached hereto.

ARTICLE 15

OPTIONS TO EXTEND

15.1 So long as Juniper Networks, Inc. (or a Permitted Assignee) is the Tenant hereunder, and subject to the condition set forth in clause (b) below, Tenant shall have two options to extend the term of this Lease with respect to the entirety of the Leased Premises, the first for a period of five (5) years from the expiration of the last year of the Lease Term (the "First Extension Period"), and the second (the "Second Extension Period") for a period of five (5) years from the expiration of the First Extension Period, subject to the following conditions:

(a) Each option to extend shall be exercised, if at all, by notice of exercise given to Landlord by Tenant not more than twelve (12) months nor less than nine (9) months prior to the expiration of the last year of the Lease Term or the expiration of the First Extension Period, as applicable;

(b) Anything herein to the contrary notwithstanding, if Tenant is in default under any of the material terms, covenants or conditions of this Lease, either at the time Tenant exercises either extension option or on the commencement date of the First Extension Period or the Second Extension Period, as applicable, Landlord shall have, in addition to all of Landlord's other rights and remedies provided in this Lease, the right to terminate such option(s) to extend upon notice to Tenant.

15.2 In the event the applicable option is exercised in a timely fashion, the Lease shall be extended for the term of the applicable extension period upon all of the terms and conditions of this Lease, provided that the Base Monthly Rent for each extension period shall be the "Fair Market Rent" for the Leased Premises, determined as set forth below, with annual increases as determined as part of the process set forth below.

15.3 Within 30 days after receipt of Tenant's notice of exercise, Landlord shall notify Tenant in writing of Landlord's estimate of the Base Monthly Rent for the first year of the applicable extension period, and Landlord's estimate of annual increases. For purposes hereof, "Fair Market Rent" shall mean collectively, (1) Base Monthly Rent for the first year of the applicable extension period and (2) the annual increases determined at the time Base Monthly Rent for the first year is determined. Within 30 days after receipt of such notice from Landlord, Tenant shall have the right either to (i) accept Landlord's estimate of Fair Market Rent or (ii) elect to arbitrate Landlord's estimate of Fair Market Rent, such arbitration to be conducted pursuant to the provisions hereof. Failure on the part of Tenant to require arbitration of Fair Market Rent within such 30-day period shall constitute acceptance of the Fair Market Rent for the applicable extension period as calculated by Landlord. If Tenant elects arbitration, the arbitration shall be concluded within 90 days after the date of Tenant's election, subject to extension for an additional 30-day period if a third arbitrator is required and does not act in a timely manner. To the extent that arbitration has not been completed prior to the expiration of any preceding period for which Base Monthly Rent has been determined, Tenant shall pay Base Monthly Rent at the rate calculated by Landlord, with the potential for an adjustment to be made once Fair Market Rent is ultimately determined by arbitration.

15.4 In the event of arbitration, the judgment or the award rendered in any such arbitration may be entered in any court having jurisdiction and shall be final and binding between the parties. The arbitration shall be conducted and determined in the City and County of San Francisco in accordance with the then prevailing rules of the American Arbitration Association or its successor for arbitration of commercial disputes except to the extent that the procedures mandated by such rules shall be modified as follows:

(a) Tenant shall make demand for arbitration in writing within 30 days after service of Landlord's determination of Fair Market Rent given under Paragraph 15.3 above, specifying therein the name and address of the person to act as the arbitrator on its behalf. The arbitrator shall be qualified as a real estate appraiser familiar with the Fair Market Rent of similar industrial, research and development, or office space in the Silicon Valley area who would qualify as an expert witness over objection to give opinion testimony addressed to the issue in a court of competent jurisdiction. Failure on the part of Tenant to make a proper demand in a timely manner for such arbitration shall constitute a waiver of the right thereto. Within 15 days after the service of the demand for arbitration, Landlord shall give notice to Tenant, specifying the name and address of the person designated by Landlord to act as arbitrator on its behalf who shall be similarly qualified. If Landlord fails to notify Tenant of the appointment of its arbitrator, within or by the time above specified, then the arbitrator appointed by Tenant shall be the arbitrator to determine the issue.

(b) In the event that two arbitrators are chosen pursuant to Paragraph 15.4(a) above, the arbitrators so chosen shall, within 15 days after the second arbitrator is appointed determine the Fair Market Rent. If the two arbitrators shall be unable to agree upon a determination of Fair Market Rent within such 15-day period, they,

themselves, shall appoint a third arbitrator, who shall be a competent and impartial person with qualifications similar to those required of the first two arbitrators pursuant to Paragraph 15.4(a). In the event they are unable to agree upon such appointment within seven days after expiration of such 15-day period, the third arbitrator shall be selected by the parties themselves, if they can agree thereon, within a further period of 15 days. If the parties do not so agree, then either party, on behalf of both, may request appointment of such a qualified person by the then Chief Judge of the United States District Court having jurisdiction over the County of Santa Clara, acting in his private and not in his official capacity, and the other party shall not raise any question as to such Judge's full power and jurisdiction to entertain the application for and make the appointment. The three arbitrators shall decide the dispute if it has not previously been resolved by following the procedure set forth below.

(c) Where an issue cannot be resolved by agreement between the two arbitrators selected by Landlord and Tenant or settlement between the parties during the course of arbitration, the issue shall be resolved by the three arbitrators within 15 days of the appointment of the third arbitrator in accordance with the following procedure. The arbitrator selected by each of the parties shall state in writing his determination of the Fair Market Rent supported by the reasons therefor with counterpart copies to each party. The arbitrators shall arrange for a simultaneous exchange of such proposed resolutions. The role of the third arbitrator shall be to select which of the two proposed resolutions most closely approximates his determination of Fair Market Rent. The third arbitrator shall have no right to propose a middle ground or any modification of either of the two proposed resolutions. The resolution he chooses as most closely approximating his determination shall constitute the decision of the arbitrators and be final and binding upon the parties.

(d) In the event of a failure, refusal or inability of any arbitrator to act, his successor shall be appointed by him, but in the case of the third arbitrator, his successor shall be appointed in the same manner as provided for appointment of the third arbitrator. The arbitrators shall decide the issue within 15 days after the appointment of the third arbitrator. Any decision in which the arbitrator appointed by Landlord and the arbitrator appointed by Tenant concur shall be binding and conclusive upon the parties. Each party shall pay the fee and expenses of its respective arbitrator and both shall share the fee and expenses of the third arbitrator, if any, and the attorneys' fees and expenses of counsel for the respective parties and of witnesses shall be paid by the respective party engaging such counsel or calling such witnesses.

(e) The arbitrators shall have the right to consult experts and competent authorities to obtain factual information or evidence pertaining to a determination of Fair Market Rent, but any such consultation shall be made in the presence of both parties with full right on their part to cross-examine. The arbitrators shall render their decision and award in writing with counterpart copies to each party. The arbitrators shall have no power to modify the provisions of this Lease.

ARTICLE 16

TELEPHONE SERVICE

Notwithstanding any other provision of this Lease to the contrary:

(a) So long as the entirety of the Building is leased to Tenant:

(i) Landlord shall have no responsibility for providing to Tenant any telephone equipment, including wiring, within the Leased Premises or for providing telephone service or connections from the utility to the Leased Premises; and

(ii) Landlord makes no warranty as to the quality, continuity or availability of the telecommunications services in the Building, and Tenant hereby waives any claim against Landlord for any actual or consequential damages (including damages for loss of business) in the event Tenant's telecommunications services in any way are interrupted, damaged or rendered less effective, except to the extent caused by the grossly negligent or willful act or omission by Landlord, its agents or employees. Tenant accepts the telephone equipment (including, without limitation, the INC, as defined below) in its "AS-IS" condition, and Tenant shall be solely responsible for contracting with a reliable third party vendor to assume responsibility for the maintenance and repair thereof (which contract shall contain provisions requiring such vendor to inspect the INC periodically (the frequency of such inspections to be determined by such vendor based on its experience and professional judgment), and requiring such vendor to meet local and federal requirements for telecommunications material and workmanship). Landlord shall not be liable to Tenant and Tenant waives all claims against Landlord whatsoever, whether for personal injury, property damage, loss of use of the Leased Premises, or otherwise, due to the interruption or failure of telephone services to the Leased Premises. Tenant hereby holds Landlord harmless and agrees to indemnify, protect and defend Landlord from and against any liability for any damage, loss or expense due to any failure or interruption of telephone service to the Leased Premises for any reason. Tenant agrees to obtain loss of rental insurance adequate to cover any damage, loss or expense occasioned by the interruption of telephone service.

(b) At such time as the entirety of the Building is no longer leased to Tenant, Landlord shall in its sole discretion have the right, by written notice to Tenant, to elect to assume limited responsibility for INC, as provided below, and upon such assumption of responsibility by Landlord, this subparagraph (b) shall apply prospectively.

(i) Landlord shall provide Tenant access to such quantity of pairs in the Building intra-building network cable ("INC") as is determined to be available by Landlord in its reasonable discretion. Tenant's access to the INC shall be solely by arrangements made by Tenant, as Tenant may elect, directly with Pacific Bell or Landlord (or such vendor as Landlord may designate), and Tenant shall pay all reasonable charges as may be imposed in connection therewith. Pacific Bell's charges shall be deemed to be reasonable. Subject to the foregoing,

Landlord shall have no responsibility for providing to Tenant any telephone equipment, including wiring, within the Leased Premises or for providing telephone service or connections from the utility to the Leased Premises, except as required by law.

(ii) Tenant shall not alter, modify, add to or disturb any telephone wiring in the Leased Premises or elsewhere in the Building without the Landlord's prior written consent, which consent shall not be unreasonably withheld. Tenant shall be liable to Landlord for any damage to the telephone wiring in the Building due to the act, negligent or otherwise, of Tenant or any employee, contractor or other agent of Tenant. Tenant shall have no access to the telephone closets within the Building, except in the manner and under procedures established by Landlord. Tenant shall promptly notify Landlord of any actual or suspected failure of telephone service to the Leased Premises.

(iii) All costs incurred by Landlord for the installation, maintenance, repair and replacement of telephone wiring in the Building shall be a Property Maintenance Cost.

(iv) Landlord makes no warranty as to the quality, continuity or availability of the telecommunications services in the Building, and Tenant hereby waives any claim against Landlord for any actual or consequential damages (including damages for loss of business) in the event Tenant's telecommunications services in any way are interrupted, damaged or rendered less effective, except to the extent caused by the grossly negligent or willful act or omission by Landlord, its agents or employees. Tenant acknowledges that Landlord meets its duty of care to Tenant with respect to the Building INC by contracting with a reliable third party vendor to assume responsibility for the maintenance and repair thereof (which contract shall contain provisions requiring such vendor to inspect the INC periodically (the frequency of such inspections to be determined by such vendor based on its experience and professional judgment), and requiring such vendor to meet local and federal requirements for telecommunications material and workmanship). Subject to the foregoing, Landlord shall not be liable to Tenant and Tenant waives all claims against Landlord whatsoever, whether for personal injury, property damage, loss of use of the Leased Premises, or otherwise, due to the interruption or failure of telephone services to the Leased Premises. Tenant hereby holds Landlord harmless and agrees to indemnify, protect and defend Landlord from and against any liability for any damage, loss or expense due to any failure or interruption of telephone service to the Leased Premises for any reason. Tenant agrees to obtain loss of rental insurance adequate to cover any damage, loss or expense occasioned by the interruption of telephone service.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease as of the respective dates below set forth with the intent to be legally bound thereby as of the Effective Date of this Lease first above set forth.

LANDLORD:

MATHILDA ASSOCIATES LLC,

a California limited liability
company

By: Menlo Equities LLC, a California
limited liability company, Manager

Dated: _____

By: Diamant Investments LLC,
a Delaware limited liability
company, Member

By: _____
Richard J. Holmstrom, Manager

TENANT:

JUNIPER NETWORKS, INC.,

a Delaware corporation

Dated: _____

By: _____
Title: _____

Dated: _____

By: _____
Title: _____

EXHIBIT A

SITE PLAN

(To be attached)

EXHIBIT B

WORK LETTER

THIS WORK LETTER, dated February ___, 2000, is entered into by and between MATHILDA ASSOCIATES LLC ("Landlord"), and JUNIPER NETWORKS, INC., a Delaware corporation ("Tenant"). On or about the date hereof, Landlord and Tenant entered into that certain Lease (the "Lease") for certain premises (the "Leased Premises") commonly known as 1184 Mathilda Avenue, Sunnyvale, California. This Work Letter sets forth the agreement of Landlord and Tenant with respect to the improvements to be constructed in the Leased Premises. All defined terms used herein shall have the meaning set forth in the Lease, unless otherwise defined in this Work Letter.

1. **CONSTRUCTION OF TENANT IMPROVEMENTS.** Landlord shall, through a general contractor to be selected pursuant to Paragraph 4 of this Work Letter, furnish and install within the Building, substantially in accordance with the Work Letter, certain items of general construction as described herein (the "Tenant Improvements"). The quantities, character and manner of installation of all of the Tenant Improvements shall be subject to the limitations imposed by any applicable governmental regulations relating to conservation of energy and by applicable building codes and regulations. In addition, Tenant agrees that the Tenant Improvements shall not require Landlord to perform work which would (i) require changes to structural components of the Building or the exterior design of the Building; (ii) be incompatible with the Base Building Plans (defined below) or the use permit to be issued by the City of Sunnyvale (the "Use Permit"); or (iii) delay the completion of the Tenant Improvements beyond the Intended Delivery Date.

2. **BASE BUILDING PLANS.** Robinson Mills + Williams (the "Architect") has prepared building plans and specifications on behalf of Landlord described as Mathilda Research Centre "Reissues for Building Permit" plans dated September 23, 1999 ("Base Building Plans") which have been approved by Tenant prior to the date hereof. Landlord hereby agrees to construct the Base Building in accordance with the Base Building Plans and the cost thereof shall not be deducted from the Tenant Improvement Allowance.

3. **PREPARATION AND APPROVAL OF SPACE PLAN.** Commencing on full execution of the Lease, Tenant shall make its representatives available to meet with the Architect in order to begin the programming process. The Tenant shall work with the Architect to complete the programming and preliminary design for Architect's preparation of space plans (the "Space Plans"). Such Space Plans shall be approved by Tenant and submitted for Landlord's review no later than June 1, 2000. Within five (5) business days after Landlord receives the Space Plans, Landlord shall either approve or disapprove the Space Plans. In such event, the Architect shall make the minimum changes necessary in order to correct any design problems identified by the Landlord and shall submit to Landlord and Tenant revised Space Plans, which Landlord and Tenant shall approve or disapprove within two (2) business days after receipt of the revised Space Plans. This procedure shall be repeated until the Space Plans are finally approved by Landlord and Tenant.

4. **SELECTION OF CONTRACTOR.** Landlord's contractor shall be the contractor selected pursuant to a procedure whereby the Space Plans are submitted to three (3) contractors (one of which shall be LE Wentz), selected by Landlord and approved by Tenant, who are requested to each submit a proposal containing the contractor's fee and general conditions for construction of the improvements designated on the Space Plans. Landlord and Tenant shall jointly open and review the fees and general conditions and the qualifications of each contractor, and shall select the contractor reasonably acceptable to both Landlord and Tenant ("Contractor"). Landlord and Contractor shall enter into a construction contract (the "Construction Contract") consistent with the terms of the bid to construct the Tenant Improvements. The Construction Contract shall require that all subtrades be competitively bid with at least three (3) subcontractors. Tenant shall have the right to propose subcontractors to be used by the Contractor. Subcontracts shall be awarded to the lowest qualified bidder, unless otherwise agreed by Landlord and Tenant.

5. **DESIGN DEVELOPMENT.** As soon as possible after Landlord's approval of the Space Plans, Tenant shall commence working with the Architect to determine Tenant's design specifications and requirements, such that the Architect can incorporate such specifications and requirements into plans (the "Design Development Plans") no later than August 1, 2000. The Design Development Plans shall include all specifications necessary for the design-build mechanical/HVAC, electrical, plumbing, and telecom/cabling subcontractors to complete working drawings.. Within five (5) business days Landlord receives the Design Development Plans, Landlord shall either approve or disapprove the Design Development Plans. In such event, the Architect shall make the minimum changes necessary in order to correct any design problems identified by the Landlord and shall submit to Landlord and Tenant revised Design Development Plans, which Landlord and Tenant shall approve or disapprove within two (2) business days after receipt of the revised Design Development Plans. This procedure shall be repeated until the Design Development Plans are finally approved by Landlord and Tenant.

6. APPROVAL OF WORKING DRAWINGS.

(a) After approval of the Design Development Plans and selection of the Contractor, the Architect shall prepare complete and coordinated architectural plans and specifications required for the construction of the Tenant Improvements in conformance with such Space Plans (the "Working Drawings"), and to prepare drawings and specifications for Changes (as defined below), if any, requested or required pursuant to Paragraph 8 below.

(b) Landlord shall submit the completed and coordinated Working Drawings to Tenant for Tenant's approval. Tenant will provide written approval of the Working Drawings within five (5) business days after such submission. If Tenant disapproves any part of the submission, the disapproval shall include written instructions

adequate for the Architect to revise the Working Drawings. Such revisions shall be subject to Landlord's approval, which shall not be unreasonably withheld. Tenant will finally approve the revised Working Drawings within five (5) business days after submission thereof to Tenant. If Tenant's instructions necessitate (i) revisions to the Working Drawings (as originally submitted) which do not conform with the Design Development Plans, or (ii) a change of scope relative to the Space Plans, the costs incurred by Landlord as a result of such instructions (including, without limitation, the cost of revising the Working Drawings) shall be promptly borne and paid by Tenant upon demand by Landlord.

(c) If Tenant fails to approve the Working Drawings within the applicable periods set forth in subparagraph 5(b) above, then (A) Landlord shall not be obligated to commence construction of the Tenant Improvements, (B) Tenant shall be responsible for any resulting delay, and the cost of such delay, in Landlord's completion of the Tenant Improvements and delivery of the Leased Premises, and (C) any such delay shall be deemed a Tenant Delay (as defined below).

7. COST OF TENANT IMPROVEMENTS. Unless specified otherwise herein, Landlord shall bear and pay the cost of the Tenant Improvements (which cost shall include, without limitation, the costs of construction, the cost of permits and permit expediting, and all architectural and engineering services obtained by Landlord in connection with the Tenant Improvements, the Contractor's fees, Landlord's fee for construction administration in an amount equal to the amount charged by any construction manager retained by Landlord (the "Construction Manager") up to a maximum of \$6,121,750 (the "Tenant Improvement Allowance"). The Tenant Improvement Allowance shall be utilized only for building improvements to the Building (and Tenant's architect fees), and not for signage, furniture costs, any third party consulting or contracting fees, any telecom/cabling costs, or any other purpose. Tenant shall bear and pay the cost of the Tenant Improvements (including but not limited to all of the foregoing fees and costs) in excess of the Tenant Improvement Allowance, if any. The cost of the Tenant Improvements shall exclude the cost of furniture, fixtures and inventory and other items of Tenant's Work (as defined below). Notwithstanding the foregoing, the Tenant Improvement Allowance shall not be used for (and Tenant shall have no responsibility for) the following costs except to the extent any of the foregoing are caused by Tenant, are due to Tenant Delays or result from the failure of Tenant to comply with the terms of the Lease or this Work Letter: (1) Property Maintenance Costs prior to the Delivery Date; (2) charges for overtime, except to the extent approved by Tenant; (3) costs to correct construction defects; (4) costs incurred to enforce contracts or cure contractor or subcontractor defaults (including legal fees); or (5) principal or interest on construction loan obtained by Landlord for construction of the Tenant Improvements.

8. CHANGES.

(a) Any request by Tenant for a change in the Tenant Improvements after approval of the Final Plans (a "Change") shall be accompanied by all information necessary to clearly identify and explain the proposed Change. As soon as practicable after receipt of such an Estimate Request form, Landlord shall notify Tenant of the estimated cost of such Change as well as the estimated increase in construction time caused by the Change, if any. Tenant shall approve in writing such estimates within two (2) business days after receipt of Landlord's notice. Upon receipt of such written request, Landlord shall be authorized to cause the Contractor to proceed with the implementation of the requested Change.

(b) The increased cost and time, as determined by Landlord, of all Changes, including the cost of architectural and engineering services required to revise the Working Drawings to reflect such Changes, the Contractor's overhead and fee, and Landlord's fee for construction administration services, shall be treated as costs of the Tenant Improvements, and shall be as determined by Landlord upon completion of the Tenant Improvements, subject only to Landlord's furnishing to Tenant appropriate back-up information from the Contractor concerning the increased costs and increased construction time.

9. TENANT'S WORK. Landlord and Tenant acknowledge and agree that certain work required for Tenant's occupancy of the Leased Premises, including but not limited to the procurement and installation of furniture, fixtures, equipment, artwork and interior signage are beyond the scope of the Tenant Improvements and shall be performed by Tenant or its contractors at Tenant's sole cost and expense. All such work ("Tenant's Work") shall be subject to Landlord's prior written approval. Tenant shall adopt a construction schedule for Tenant's Work in conformance with the Contractor's schedule, and shall perform Tenant's Work in such a way as not to hinder or delay the operations of Landlord or the Contractor in the Building. Any costs incurred by Landlord as a result of any interference with Landlord's operations by Tenant or its contractors shall be promptly paid by Tenant to Landlord upon demand. Landlord shall make all reasonable efforts to notify Tenant of any such interference of which Landlord has actual knowledge, but failure to provide such notice shall in no way limit Landlord's right to demand payment for such costs. Tenant's contractors shall be subject to Landlord's prior written approval, and to the administrative supervision of the Contractor. Tenant's Work shall comply with all of the following requirements:

(a) Tenant's Work shall not proceed until Landlord has approved in writing: (i) Tenant's contractors, (ii) proof of the amount and coverage of public liability and property damage insurance carried by Tenant's contractors in the form of an endorsed insurance certificate naming Landlord, the Contractor, and the agents of Landlord and the Contractor as additional insureds, in an amount not less than two million dollars, and (iii) complete and detailed plans and specifications for Tenant's Work.

(b) Tenant's Work shall be performed in conformity with a valid permit when required, a copy of which shall be furnished to Landlord before such work is commenced. In any event, all Tenant's Work shall comply with all applicable laws, codes and ordinances of any governmental entity having jurisdiction over the Building.

Landlord shall have no responsibility for Tenant's failure to comply with such applicable laws. Any and all delay in obtaining a certificate of occupancy due to Tenant's vendors is the responsibility of Tenant and shall be a Tenant Delay.

(c) In connection with Tenant's Work (e.g., delivering or installing furniture or equipment to the second floor of the Leased Premises), Tenant or its contractors shall arrange for any necessary hoisting or elevator service with Landlord and shall pay such reasonable costs for such services as may be charged by Landlord.

(d) Tenant shall promptly pay Landlord upon demand for any extra expense incurred by Landlord by reason of faulty work done by Tenant or its contractors, by reason of damage to existing work caused by Tenant or its contractors, or by reason of inadequate cleanup by Tenant or its contractors.

10. COMPLETION; TENANT DELAY.

(a) As used herein, the term "Substantial Completion of the Tenant Improvements" shall be deemed to mean the date when all of the following shall have occurred: (i) Landlord shall have delivered to Tenant a certificate of occupancy issued by the City of Sunnyvale for the Leased Premises, or Tenant may legally occupy the Leased Premises for the operation of its business without violating any law or regulation or voiding or adversely affecting its insurance coverage, whether pursuant to a temporary certificate of occupancy or otherwise; and (ii) Landlord shall have substantially completed construction of the Base Building substantially in accordance with the Base Building Plans and all Tenant Improvements substantially in accordance with the Final Plans, subject only to the completion of reasonable punch list items, which, in the absence of manifest error, shall be established by a certificate executed by Landlord's architect certifying that such state of completion has been achieved. Without limiting the generality of the foregoing, "Substantial Completion of the Tenant Improvements" shall not be deemed to have been achieved unless and until (i) the building systems, including roof, plumbing, HVAC, sprinkler, electrical (including panels and outlets), doors (both personnel and shipping), lighting, ceiling tiles, and window coverings are in good working order, (ii) the interior and exterior of the Building are in compliance with all applicable Laws, (iii) all debris and clutter has been removed from the Leased Premises and final cleanup completed,

(iv) exterior windows are washed inside and out, and (v) parking lot and landscaping are in good condition and free of debris, clutter and all construction equipment. After substantial completion of the Tenant Improvements and delivery of the Leased Premises to Tenant, Landlord and Tenant shall execute a Lease Commencement Date Certificate in the form attached as Exhibit "C" to the Lease.

(b) If Landlord shall be delayed in substantially completing the Tenant Improvements as a result of:

(i) Tenant's failure to furnish the information, instructions and plans required in paragraph 3 or approve the Working Drawings, within the applicable time periods specified in paragraph 5; or

(ii) Any changes in the scope of the Tenant Improvements from that set forth in the Space Plans, or any Changes to the Final Plans requested by Tenant after approval thereof pursuant to paragraph 7; or

(iii) Any interruption or interference in Landlord's construction of the Tenant Improvements caused by Tenant, its contractors or its vendors; or

(iv) Tenant's failure to timely pay any amounts which Tenant is obligated to pay under this Work Letter; or

(v) Any other act, neglect, failure or omission of Tenant, its agents, employees or contractors (items (i) through (v) above being collectively referred to as "Tenant Delays");

then the date upon which the payment of rental under the Lease, shall commence shall be advanced by the cumulative duration of such Tenant Delays.

11. CONSTRUCTION WARRANTY. Landlord shall construct the Tenant Improvements substantially in accordance with this Work Letter and the Final Plans, all Laws and Private Restrictions, and in a good and workmanlike manner, and all materials and equipment furnished will substantially conform to said plans and shall be new and otherwise of good quality. Landlord's Contractor and subcontractors shall be responsible for the correction of defects in design, workmanship, materials and equipment supplied, and the cost of correction shall not be charged against the Tenant Improvement Allowance or be a Property Maintenance Expense.

12. OWNERSHIP OF TENANT IMPROVEMENTS. All of the Tenant Improvements which are constructed with the Tenant Improvement Allowance shall become the property of Landlord upon installation and shall not be removed or altered by Tenant, except to the extent permitted by the Lease. Any part of the Tenant Improvements which are constructed by Landlord with funds of Tenant shall become the property of Tenant upon installation and Tenant shall have the right to depreciate and claim and collect investment tax credits in such improvements; provided, however, that

(i) Tenant shall not remove or alter such improvements except in accordance with the terms of the Lease; (ii) such improvements shall be surrendered to Landlord, and title to such improvements shall vest in Landlord, at the expiration or earlier termination of the Lease Term; and

(iii) in no event shall Landlord have any obligation to pay Tenant for the cost or value of such improvements. As soon as reasonably practicable, Landlord and Tenant shall agree in writing which of such improvements are to be constructed using the Tenant Improvement Allowance (and therefore are Landlord's property) and which of them are to be installed with Tenant's funds (and therefore are Tenant's property) during the Lease Term.

13. DESIGNATION OF AGENT. Tenant hereby designates and appoints Nova Partners ("Agent") as its agent to act on its behalf with respect to its duties and obligations under this Work Letter. For the purposes of this appointment, Agent's authority shall specifically include, but in no way be limited to, the following: (i) the approval of the Design Development Plans, (ii) the submission of any Changes, (iii) the delivery of any Estimate Requests, (iv) the approval of any Landlord responses to Estimate Requests, (v) the approval of all costs and time, including architectural and engineering services, required to revise the Working Drawings to reflect any Changes, (v) the authorization of any overtime, and (vi) the authority to execute and deliver to Landlord any written authorizations requested by Landlord in connection with the construction of the Tenant Improvements. Tenant expressly acknowledges that this Appointment is made with the knowledge that Landlord and it affiliates will rely on the authority granted to Agent herein. Accordingly, Landlord shall be deemed a third party beneficiary of this Appointment. Tenant further acknowledges that the authority hereby conferred will continue in full force and effect until Landlord shall receive notice in writing, signed by the Tenant, of the revocation of the authority herein granted. Such revocation shall be effective only as to actions taken by the Agent subsequent to receipt by Landlord of such notice. Tenant agrees to indemnify, defend and hold Landlord harmless from any and all claims, liabilities, losses, damages, costs and expenses, including without limitation, all reasonable attorneys' fees, asserted against or suffered by Landlord resulting from Landlord's reliance on this appointment.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Work Letter as of the respective dates set forth below.

LANDLORD:

MATHILDA ASSOCIATES LLC,

a California limited liability
company

By: Menlo Equities LLC, a California
limited liability company, Manager

Dated: _____

By: Diamant Investments LLC,
a Delaware limited liability
company, Member

By: _____
Richard J. Holmstrom, Manager

TENANT:

JUNIPER NETWORKS, INC.,

a Delaware corporation

Dated: _____

By: _____
Title: _____

Dated: _____

By: _____

Title:

EXHIBIT C

LEASE COMMENCEMENT DATE CERTIFICATE

This Lease Commencement Date Certificate is entered into by Landlord and Tenant pursuant to the Work Letter attached as Exhibit B to the Lease.

1. (a) Landlord: Mathilda Associates LLC, a California limited liability company
- (b) Tenant: Juniper Networks, Inc., a Delaware corporation
- (c) Lease: Lease dated February __, 2000 between Landlord and Tenant.
- (d) Leased Premises: 1184 Mathilda Avenue, Sunnyvale, California

2. CONFIRMATION OF LEASE COMMENCEMENT.

Landlord and Tenant confirm that the Lease Commencement Date is _____ and the Expiration Date is _____ and that Article 1 of the Lease is amended accordingly.

Landlord and Tenant have executed this Lease Commencement Date Certificate as of the dates set forth below.

LANDLORD:

MATHILDA ASSOCIATES LLC,

a California limited liability company

By: Menlo Equities LLC, a California
limited liability company

Dated: _____

By: _____ Member

TENANT:

JUNIPER NETWORKS, INC.,

a Delaware corporation

Dated: _____

By: _____

Title: _____

Dated: _____

By: _____

Title:

EXHIBIT D

FORM OF ESTOPPEL CERTIFICATE

-----, ----

Re 1184 Mathilda Avenue
Sunnyvale, California

Ladies and Gentlemen:

Reference is made to that certain Lease, dated as of February ___, 2000, between MATHILDA ASSOCIATES LLC, a California limited liability company ("Landlord"), and the undersigned (herein referred to as the "Lease"). A copy of the Lease [and all amendment thereto] is[are] attached hereto as EXHIBIT A. At the request of Landlord in connection with [State reasons for request for estoppel certificate], the undersigned hereby certifies to Landlord and to [State names of other parties requiring certification] and each of your respective successors and assigns as follows:

1. The undersigned is the tenant under the Lease.
2. The Lease is in full force and effect and has not been amended, modified, supplemented or superseded except as indicated in Exhibit A.
3. There is no defense, offset, claim or counterclaim by or in favor of the undersigned against Landlord under the Lease or against the obligations of the undersigned under the Lease. The undersigned has no renewal, extension or expansion option, no right of first offer or right of first refusal and no other similar right to renew or extend the term of the Lease or expand the property demised thereunder except as may be expressly set forth in the Lease.
4. The undersigned is not aware of any default now existing of the undersigned or of Landlord under the Lease, nor of any event which with notice or the passage of time or both would constitute a default of the undersigned or of Landlord under the Lease except _____.
5. The undersigned has not received notice of a prior transfer, assignment, hypothecation or pledge by Landlord of any of Landlord's interest in the Lease.
6. The monthly rent due under the Lease is \$_____ and has been paid through _____, and all additional rent due and payable under the Lease has been paid through _____.
7. The term of the Lease commenced on _____, and expires on _____, unless sooner terminated pursuant to the provisions of the Lease. Landlord has performed all work required by the Lease for the undersigned's initial occupancy of the demised property.
8. The undersigned has deposited the sum of \$_____ with Landlord as security for the performance of its obligations as tenant under the Lease, and no portion of such deposit has been applied by Landlord to any obligation under the Lease.
9. Except as set forth in the Lease, there is no free rent period pending, nor is Tenant entitled to any Landlord's contribution.

The above certifications are made to Landlord and Lender knowing that Landlord and Lender will rely thereon in accepting an assignment of the Lease.

Very truly yours,

JUNIPER NETWORKS, INC., a Delaware corporation

By:
Name:
Title:

EXHIBIT E

FORM OF LETTER OF CREDIT

Date: _____, 2000

Irrevocable Standby Letter of Credit Number: _____

Beneficiary:

Mathilda Associates LLC
525 University Avenue, Suite 100
Palo Alto, California 94301

Applicant:

Juniper Networks, Inc.

Amount:

USD \$ 1,000,000
(FOUR MILLION THREE HUNDRED
TWENTY-NINE THOUSAND FOUR HUNDRED
FIFTY AND 00/100 U.S. DOLLARS)

Expiration: _____

We hereby establish our Irrevocable Standby Letter of Credit No. _____ in your favor for the account of _____, on behalf of _____,

_____ available for drawings for up to an aggregate amount of U.S. \$ 4,329,450.00 (FOUR MILLION THREE HUNDRED TWENTY-NINE THOUSAND FOUR HUNDRED FIFTY AND 00/100 U.S. DOLLARS). This Letter of Credit is available by payment upon your draft drawn at sight on us, submitted at the office of _____, Attention: Letter of Credit Services, and expires at our close of business on the expiration date or any automatically extended expiration date as hereinafter set forth.

This Letter of Credit shall expire on _____, but such expiration date shall be automatically extended for a period of one (1) year on _____ and on each successive expiration date, unless at least sixty (60) days before the current expiration date we notify you by overnight courier that this Letter of Credit is not extended beyond the current expiration date. In the event you are so notified, any unused portion of the Letter of Credit shall be available upon presentation of a sight draft by Mathilda Associates LLC, within the current expiration date.

We give our undertaking to the Beneficiary that sums drawn under and in compliance with the terms of this Letter of Credit will be duly honored by our bank on presentation of drawings in accordance with the terms of this credit.

This Letter of Credit is transferable by the Beneficiary. Transfer of this Letter of Credit is subject to our consent and receipt of Beneficiary's instructions in the form attached hereto as Exhibit A accompanied by the original Letter of Credit and amendment(s) if any. Cost or expenses of such transfer shall be for the account of the Beneficiary.

This Letter of Credit is subject to the Uniform Customs and Practices for Documentary Credits (1993 Revision) International Chamber of Commerce Publication No. 500 and engages us to the terms herein.

Yours very truly,

Authorized Signature Letter of Credit Services

Q

EXHIBIT A

Attention: Letter of Credit Services

Re: Irrevocable Letter of Credit No. _____

Dear Sirs:

The undersigned acknowledges receipt of your advice No. _____ of a credit issued in our favor, the terms of which are satisfactory. We now return the original advice of the said credit with all amendments and extensions, if any, and hereby irrevocably transfer the said credit and all amendments and extensions thereof, if any, to:

[Name of Transferee] _____

[Address]

You are to inform the transferee of this transfer and such transferee shall have sole rights as beneficiary under the credit, including any amendments, extension or increases thereof, without notice to or further assent from us.

Yours very truly,

By:

(The above signature with title as stated with that on file with us and is authorized for execution of this instrument.)

(Bank)

EXHIBIT F

FORM OF LANDLORD WAIVER

THIS LANDLORD WAIVER (this "Waiver") dated _____, 2____ is entered into by and between MATHILDA ASSOCIATES LLC, a California limited liability company ("Landlord") and _____ ("Secured Party").

RECITALS

WHEREAS, Landlord is the owner and landlord of the premises described as 1184 Mathilda Avenue, Sunnyvale, California (the "Property"); and

WHEREAS, Landlord and Juniper Networks, Inc. ("Tenant") have entered into that certain lease dated February ____, 2000 (as previously and/or hereafter amended, the "Real Property Lease") pursuant to which Tenant has leased approximately 144,315 square feet of space at the Property (the "Premises"); and

WHEREAS, Tenant has entered into an equipment lease and/or financing agreement pursuant to which Tenant has granted a security interest in the personal property described on Schedule 1 attached hereto (the "Personal Property") to Secured Party under that certain [Equipment Lease and/or Financing Agreement] between Tenant and Secured Party dated _____ (the "Financing Agreement"); and

WHEREAS, Secured Party and Landlord desire to establish their respective rights regarding the Personal Property and Secured Party's access to the Premises;

AGREEMENT

NOW, THEREFORE, in consideration of the above Recitals and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

1. During the term of the Real Property Lease, and subject to Landlord's interest in the Personal Property, if any, at the expiration or earlier termination of the Real Property Lease, the Personal Property shall remain personal property and severable from the Premises and shall not become part of the Premises or construed as a fixture at the Premises to the extent that the Tenant Improvement Allowance (as defined in the Real Property Lease) has not been utilized to pay for the Personal Property or the financing thereof.
2. So long as Tenant occupies the Premises and is not in default under the Real Property Lease, Secured Party may enter the Premises at any time or from time to time upon reasonable written notice to Landlord and in compliance with the terms of the Financing Agreement for purposes of inspecting and/or removing any and all of the Personal Property in the exercise of its rights and remedies arising from the Financing Agreement. In the event of a default by Tenant under the Real Property Lease, Secured Party shall obtain Landlord's prior written consent prior to entering the Premises.
3. Landlord shall notify Secured Party in the event the Personal Property remains at the Premises after either (i) Tenant is evicted from the Premises or (ii) Tenant abandons (as opposed to vacates) the Premises prior to the expiration of the Real Property Lease. Secured Party shall have 15 days to remove the Personal Property from the Premises after notification of such action from Landlord. If Secured Party has not removed the Personal Property within such 15 day period, Landlord shall have all rights regarding the Personal Property accorded to it by law and/or pursuant to the Real Property Lease and Secured Party shall have no further rights regarding such Personal Property. After Tenant has abandoned or been evicted from the Premises, Secured Party shall be liable for holdover rent for the total amount of time the Personal Property remains at the Premises after such eviction or abandonment. For purposes hereof, "holdover rent" shall mean 200% of the rent in effect under the Real Property Lease for the period immediately prior to such vacation or eviction.
4. If Secured Party exercises its right to remove the Personal Property from the Premises as provided herein, Secured Party shall repair any damage to the Premises caused by such removal. Landlord shall have the right to require Secured Party to post a bond acceptable to Landlord to cover the potential cost of such repair prior to removing any such Personal Property.
5. No auction or sale of the Personal Property shall be conducted by Secured Party from the Premises without Landlord's prior written consent, which consent Landlord may withhold in Landlord's sole and absolute discretion.
6. This waiver shall be binding upon the heirs, administrators, executors, successors and assigns of the Landlord, and shall inure to the benefit of the successors and assigns of the Secured Party.

IN WITNESS WHEREOF, the parties hereto have executed, sealed and delivered this Waiver this _____ day of _____, 2_____.

MATHILDA ASSOCIATES LLC,
a California limited liability
company

By: Menlo Equities LLC, a California
limited liability company

By: Member

SECURED PARTY:

By:

Title:

By:

Title:

SCHEDULE 1

PERSONAL PROPERTY

3.

JUNIPER NETWORKS, INC.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion and analysis should be read in conjunction with "Selected Consolidated Financial Data" and our consolidated financial statements and the related notes. This discussion may contain forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of certain factors including the risks discussed in "Risk Factors" and elsewhere in our Form 10-K.

OVERVIEW

We are a leading provider of Internet infrastructure solutions that enable Internet service providers and other telecommunications service providers ("Service Providers"), to meet the demands resulting from the rapid growth of the Internet. Our Internet backbone routers are specifically designed and purpose-built for service provider networks and offer our customers increased reliability, performance, scalability, interoperability and flexibility, and reduced complexity and cost compared to current alternatives.

In September 1998 we began shipping our first product, the M40 Internet backbone router, with volume shipments beginning in October 1998. We subsequently introduced the M20 in December 1999, the M160 in March 2000 and the M5 and M10 product platforms in September 2000. We currently sell our products to major Service Providers in North America primarily through our direct sales force, and internationally primarily through value added resellers.

RESULTS OF OPERATIONS

Net Revenues

We began generating net revenues in the fourth quarter of 1998. Our net revenues increased to \$673.5 million in 2000 as compared with \$102.6 million and \$3.8 million in 1999 and 1998, respectively. The increase in net revenues in 2000 compared with 1999, was primarily due to the following three factors: the introduction of new product platforms; an increase in market acceptance of our products; and overall growth in the marketplace due to the growth of the Internet and an increase in emerging customers and networks. The increase in net revenues in 1999 compared with 1998 was primarily due to 1999 being the first full year of product shipments, as well as increased customer acceptance and overall growth in the marketplace.

Our revenues for 2000 were derived from sales of our first product, the M40, as well as sales from our more recent product introductions, the M20, M160, M5 and M10. While we have introduced new products and plan to continue to introduce new products, there can be no assurance that we will be successful in these efforts or that such products will be well-received by our existing and potential customer base. A limited number of customers have historically accounted for a substantial portion of our net revenues. One customer accounted for 18% of our net revenues in 2000, two customers accounted for 58% and 100% of our net revenues in 1999 and 1998, respectively. We expect that a significant portion of our future net revenues will continue to come from sales of our products to a relatively small number of customers because our direct sales and marketing efforts are focused primarily on the world's leading service providers. Export sales accounted for approximately 35% of our net revenues in 2000 as compared with 22% in 1999. We are seeking to continue to diversify our customer base, but we cannot be certain that our efforts in this regard will be successful.

Because the market for Internet backbone routers is new and evolving, the volume and timing of orders are difficult to predict. A customer's decision to purchase our products typically involves a significant commitment of their resources and a lengthy evaluation and product qualification process which involves technical evaluation, integration, testing, network planning and implementation and typically takes several months. Even after making the decision to purchase our products, our customers tend to deploy the products slowly and deliberately. Timing of deployment can vary widely. Customers with large networks usually expand their networks in large increments on a periodic basis. Accordingly, we expect to receive purchase orders for significant dollar amounts on an irregular basis. Because of our limited operating history, we cannot predict these sales and development cycles. Long sales and implementation cycles for our products, as well as the expectation that customers will tend to sporadically place large orders with short lead times, may cause revenues and operating results to vary significantly and unexpectedly from quarter to quarter. Historically, selling prices in the Internet infrastructure equipment market have been relatively stable. However, as competitors launch new products, this pricing trend may change.

We generally recognize product revenue at the time of shipment, assuming that collectibility is probable, unless we have future obligations for network interoperability or we have to obtain customer acceptance, in which case revenue and related costs are deferred until those obligations are met. Revenue from service obligations is deferred and recognized on a straight-line basis over the

contractual period. Amounts billed in excess of revenue recognized are included as deferred revenue and accounts receivable in the accompanying consolidated balance sheets.

At December 31, 2000, a total of \$34.6 million of revenue was deferred, which we currently expect to recognize in 2001. Our products generally carry a one year warranty that includes factory repair services as needed for replacement parts. Estimated expenses for warranty obligations are accrued as revenue is recognized based on our best estimate of warranty costs for delivered products.

Cost of Revenues

Cost of revenues for the year ended December 31, 2000, was \$237.6 million resulting in a gross margin of 64.7% for the year as compared to cost of revenues of \$45.3 million and gross margin of 55.9% for the year ended December 31, 1999. Cost of revenues for the year ended December 31, 1998 was \$4.4 million. The increase in cost of revenues for all periods is primarily related to the increase in net revenues, as well as headcount increases in our customer service and support organizations. We expect cost of revenues to continue to increase as net revenues increase. Our gross margins are highly variable and dependent on many factors, some of which are outside of our control. Some of the primary factors affecting gross margins include demand for our products and services; changes in our pricing policies and those of our competitors; new product introductions both by us and by our competitors; mix of interfaces sold; mix of our direct and indirect sales channels; warranty costs; volume manufacturing pricing we are able to attain from our partner for outsourced manufacturing; and mix of products and services sold.

Cost of revenues includes the cost of our manufacturing overhead and customer service and support organizations. We have outsourced our manufacturing, our repair operations and the majority of our supply chain management operations. Accordingly, a significant portion of our cost of revenues consists of payments to our two contract manufacturers. Our contract manufacturers manufacture our products using quality assurance programs and standards that we established. Manufacturing engineering and documentation control are conducted at our facility in Sunnyvale, California.

Research and Development Expenses

Research and development expenses increased to \$87.8 million in 2000 from \$41.5 million in 1999 and \$24.0 million in 1998. Research and development expenses consist primarily of salaries and related personnel costs, non-recurring engineering charges and prototype costs related to the design, development, testing and enhancement of our application specific integrated circuits (ASICs). Salary and related personnel costs accounted for approximately 40% of the increase from 1999 to 2000 as well as the increase from 1998 to 1999. Non-recurring engineering and prototype costs accounted for approximately 10% of the increase from 1999 to 2000 and 20% of the increase from 1998 to 1999.

We expense our research and development costs as they are incurred. Several components of our research and development effort require significant expenditures, the timing of which can cause significant quarterly variability in our expenses. For example, a large number of prototypes are required to build and test our products and the building and testing process occurs over a short period of time. Our ASIC development requires a payment for non-recurring engineering charges at the beginning of the process to design and develop the ASIC, regardless of whether the integrated circuit works. In addition, a per unit cost is payable as we purchase ASICs. With several large ASICs in our architecture, we will incur large non-recurring engineering and prototype expenses with every enhancement of the existing products and for any new product development. We expect to continue to devote substantial resources to the development of new products and the enhancement of existing products. We believe that research and development is critical to our strategic product development objectives and that to leverage our leading technology and meet the changing requirements of our customers, we will need to fund investments in several development projects in parallel. Although we may experience significant quarterly variability in our research and development expenses, we expect our research and development expenses to increase in absolute dollars in the future.

Sales and Marketing Expenses

Sales and marketing expenses increased to \$89.0 million in 2000 from \$20.9 million in 1999 and \$4.2 million in 1998. The increases from period to period in sales and marketing expenses were primarily attributable to salaries, commissions (resulting from increased sales) and related expenses for personnel engaged in sales, marketing and customer engineering support functions, including international expansion, as well as costs associated with promotional and other marketing expenses. To date, we have not incurred significant advertising expenses.

We intend to continue to expand our direct and indirect sales operations, both domestically and internationally, in order to increase market awareness of our products and to better support our existing customers worldwide. We believe that continued investment in sales and marketing is critical to our success and expect these expenses to increase in absolute dollars in the future as we hire additional sales and marketing personnel, initiate additional marketing programs to support our products and establish sales offices in new domestic and international locations.

General and Administrative Expenses

General and administrative expenses increased to \$21.2 million in 2000 from \$5.2 million in 1999 and \$2.2 million in 1998. General and administrative expenses consist primarily of salaries and related expenses for executive, finance, accounting, facilities and human resources personnel, as well as recruiting expenses, professional fees and other corporate expenses. The increases from period to period in general and administrative expenses were primarily attributable to the costs associated with additional headcount to support increased levels of business activity. In addition, the increases were also due to costs associated with being a publicly traded company for a full year in 2000. We expect general and administrative expenses to increase in absolute dollars as we add personnel and incur additional costs related to the growth of our business.

Amortization of Goodwill, Purchased Intangibles and Deferred Stock Compensation

On December 8, 2000, we acquired Micro Magic, Inc. which we accounted for under the purchase method of accounting. Accordingly, we recorded goodwill and other intangible assets of \$125.7 million representing the excess of the purchase price paid over the fair value of net tangible assets acquired. In November 1999, we acquired certain other intellectual property and intangible assets resulting in our recording of \$18.4 million of goodwill and other intangibles. The goodwill and other intangibles will be amortized over their respected useful lives, which we have determined to be a three-year period in each of these acquisitions.

Also as part of the acquisition of Micro Magic, we recorded \$121.7 million of deferred compensation relating to the unvested stock options and restricted stock assumed in the acquisition. In connection with the grant of certain stock options to employees during 1998 and the three months ended March 31, 1999, we recorded deferred compensation of \$6.4 million in 1998 and \$1.1 million in 1999 representing the difference between the deemed value of the common stock for accounting purposes and the exercise price of these options at the date of grant. Deferred compensation is presented as a reduction of stockholders' equity and is amortized over the vesting period of the applicable options using the graded vesting method.

We expensed \$23.8 million of goodwill, purchased intangibles and deferred stock compensation during 2000, \$4.3 million in 1999 and \$1.2 million of deferred compensation during 1998. The amortization of goodwill, purchased intangibles and deferred stock compensation may continue to increase if we make other acquisitions of companies or technologies.

In-process Research and Development

In connection with the acquisition of Micro Magic, we allocated \$10.0 million of the \$259.3 million purchase price as in-process research and development. The applications from the in-process technology project have been integrated into our products. The efforts required to complete the acquired in-process technology included the completion of all planning, designing and testing activities that were necessary to establish that the product can be produced to meet its design requirements, including functions, features and technical performance requirements.

The value of the acquired in-process technology was computed using a discounted cash flow analysis rate of 19% on the anticipated income stream of the related product revenues. The discounted cash flow analysis was based on management's forecast of future revenues, cost of revenues, and operating expenses related to the products and technologies purchased from Micro Magic. The calculation of value was then adjusted to reflect only the value creation efforts of Micro Magic prior to the close of the acquisition. At the time of the acquisition, the product was approximately 88% complete. The majority of the costs to complete the project will be incurred in fiscal 2001 and the remaining costs are not material. The resultant value of in-process technology was further reduced by the estimated value of core technology and was expensed in the period the transaction was consummated.

Charitable Contribution

We recorded a charge of \$10.0 million in the quarter ended June 30, 2000 in connection with stock issued to a charitable foundation. We currently do not expect to make similar contributions in the foreseeable future.

Interest Income

Interest income includes income on available-for-sale investments. Interest income was \$89.0 million in 2000 as compared with \$8.5 million and \$2.0 million in 1999 and 1998, respectively. The significant increase in interest income is a direct result of increased cash and investment balances, resulting from our equity and debt offerings during 1999 and 2000.

Interest Expense

Interest expense in 2000, 1999 and 1998 was \$52.7 million, \$528,000 and \$655,000, respectively. Interest expense in 2000 consists entirely of accrued interest and amortization of debt issuance costs, both attributable to the convertible subordinated notes which were issued in March 2000. Interest expense in 1999 and 1998 is related to capital lease obligations.

Provision for Income Taxes

For 2000, we recorded a tax provision of \$82.5 million resulting in an effective tax rate of 36%. In 1999 and 1998 we recorded tax provisions of \$2.4 million and \$2,000, respectively. The increase in the tax provision is primarily due to operating income in 2000 versus operating losses in 1999 and 1998.

LIQUIDITY AND CAPITAL RESOURCES

Prior to our initial public offering, we financed operations primarily through the private placement of convertible preferred stock and capital leases. In June 1999, we completed the initial public offering of our common stock and realized net proceeds from that offering of approximately \$65.2 million. In October 1999, we completed a secondary public offering of our common stock and realized net proceeds from that offering of approximately \$324.3 million. In March 2000, we completed an offering of 4.75% convertible subordinated notes and realized net proceeds of approximately \$1.1 billion.

At December 31, 2000, we had cash and cash equivalents of \$563.0 million, short-term investments of \$581.7 million and long-term investments of \$450.6 million. We regularly invest excess funds in money market funds, commercial paper and government and non-government debt securities with maturities of up to three years.

Net cash provided by operating activities was \$269.1 million and \$20.5 million in 2000 and 1999, respectively. Net cash used in operating activities was \$24.8 million in 1998. Net cash flows used in operating activities in each period primarily consisted of increases in accounts receivable, as well as increases in prepaid expenses and other current and long-term assets. For 1999 and 1998, net losses also contributed to the net cash flows used in operating activities. Net cash provided by operating activities in each period were primarily attributed to non-cash charges such as depreciation and amortization, as well as increases in accounts payable and other liabilities and deferred revenue. In addition, net income and a tax benefit from employee stock options also contributed to the net cash provided by operating activities in 2000.

Net cash used in investing activities was \$894.2 million and \$305.4 million in 2000 and 1999, respectively. Net cash provided by investing activities was \$9.3 million in 1998. Net cash used in investing activities for all periods primarily consisted of purchases of available for sale investments, as well as purchases of property and equipment. Net cash used in investing activities in 2000 and 1999 also include minority investments and business acquisitions. Net cash provided by investing activities for all periods consisted entirely of maturities of available-for-sale investments.

Net cash provided by financing activities was \$1.0 billion for 2000, primarily from the net proceeds of our issuance of convertible subordinated notes, as well as proceeds from employee stock option exercises, partially offset by the repurchase of one million shares of our common stock. Net cash provided by financing activities was \$422.9 million for the year ended December 31, 1999, primarily from the net proceeds of our initial and secondary public offerings, as well as our convertible preferred stock offering, partially offset by payments on lease obligations. Net cash provided by financing activities was \$5.2 million for 1998, primarily from proceeds from sale-leaseback liabilities, partially offset by payments on lease obligations.

Our capital requirements depend on numerous factors, including market acceptance of our products; resources we devote to developing, marketing, selling and supporting our products; and timing and extent of establishing international operations.

We expect to devote substantial capital resources to continue our research and development efforts, to hire and expand our sales, support, marketing and product development organizations, to expand marketing programs, to establish additional facilities worldwide and for other general corporate activities. Although we believe that our current cash balances will be sufficient to fund our operations for at least the next 12 months, there can be no assurance that we will not require additional financing within this time frame or that such additional funding, if needed, will be available on terms acceptable to us or at all.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board (the "FASB") issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS 133, as amended, establishes accounting methods for derivative financial instruments and hedging activities related to those instruments, as well as other hedging activities. We are required to adopt SFAS 133 effective January 1, 2001. Because we currently do not hold any derivative instruments and do not engage in hedging activities, we do not currently believe that the adoption of SFAS 133, as amended, will have a significant impact on our financial position or results of operations.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101 ("SAB 101"). SAB 101 summarizes certain areas of the Staff's views in applying generally accepted accounting principles to revenue recognition in financial statements. We believe that our current revenue recognition principles comply with SAB 101.

In March 2000, the FASB issued Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation--an Interpretation of APB 25" ("FIN 44"). This Interpretation clarifies (a) the definition of "employee" for purposes of applying APB 25, (b)

the criteria for determining whether a plan qualifies as a non compensatory plan, (c) the accounting consequence of various modifications to the terms of a previously fixed stock option or award, and (d) the accounting for an exchange of stock compensation awards in a business combination. This Interpretation became effective July 1, 2000, but certain conclusions in this Interpretation cover specific events that occur after either December 15, 1998, or January 12, 2000. To the extent that this Interpretation covers events occurring during the period after December 15, 1998, or January 12, 2000, but before the effective date of July 1, 2000, the effects of applying this Interpretation are recognized on a prospective basis from July 1, 2000. As a result of our adoption of this guidance in July 2000, we recorded approximately \$121.7 million of deferred stock-based compensation in connection with the Micro Magic acquisition, of which \$11.1 million was expensed in the current period.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The primary objective of our investment activities is to preserve principal while at the same time maximizing the income we receive from our investments without significantly increasing risk. Some of the securities that we have invested in may be subject to market risk. This means that a change in prevailing interest rates may cause the principal amount of the investment to fluctuate. To minimize this risk, we maintain our portfolio of cash equivalents and short-term and long-term investments in a variety of securities, including commercial paper, money market funds and government and non-government debt securities. Based on our investment portfolio and interest rates as of December 31, 2000, an immediate and uniform 10% increase or decrease in interest rates would result in a decrease or increase of \$5.5 million, respectively, in the fair market value of the portfolio. However, these gains or losses would remain unrealized unless the investments were sold. See Note 3 to the Consolidated Financial Statements.

Our convertible subordinated notes were issued at a fixed interest rate and with fixed conversion rates and therefore do not expose us to the risk of earnings or cash flow loss due to changes in market interest rates.

FOREIGN CURRENCY RISK

We market and sell our products throughout the world; however to date our sales have all been made in US dollars. In addition, our operations are primarily located in the United States. Accordingly, we have had no material exposure to foreign currency rate fluctuations.

JUNIPER NETWORKS, INC.

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	DECEMBER 31,	
	2000	1999
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 563,005	\$158,043
Short-term investments	581,738	187,915
Accounts receivable, net of allowance for doubtful		
accounts of \$3,727 in 2000 (\$632 in 1999)	176,535	23,950
Prepaid expenses and other current assets	27,269	7,925
	-----	-----
Total current assets	1,348,547	377,833
Property and equipment, net	36,440	12,416
Long-term investments	450,568	97,201
Goodwill and other purchased intangible assets, net	136,047	17,355
Other long-term assets	131,527	8,573
	-----	-----
Total assets	\$ 2,103,129	\$513,378
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 72,347	\$ 15,368
Accrued compensation and related liabilities	21,644	5,371
Accrued warranty	35,394	9,641
Interest payable	16,118	--
Income tax payable	12,725	2,259
Other accrued liabilities	23,555	3,754
Deferred revenue	34,625	19,270
	-----	-----
Total current liabilities	216,408	55,663
Convertible subordinated notes and other long-term liabilities	1,156,719	--
Commitments		
Stockholders' equity:		
Convertible preferred stock, \$0.00001 par value: 10,000 shares		
authorized; none issued and outstanding	--	--
Common stock, \$0.00001 par value, 1,000,000 shares authorized; 318,085		
and 311,878 shares issued and outstanding at December 31, 2000 and		
1999	3	3
Additional paid-in capital	735,100	513,695
Deferred stock compensation	(111,813)	(3,001)
Accumulated other comprehensive income (loss)	10,963	(815)
Retained earnings (accumulated deficit)	95,749	(52,167)
	-----	-----
Total stockholders' equity	730,002	457,715
	-----	-----
Total liabilities and stockholders' equity	\$ 2,103,129	\$513,378
	=====	=====

See accompanying notes.

JUNIPER NETWORKS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS (IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
Net revenues	\$ 673,501	\$ 102,606	\$ 3,807
Cost of revenues	237,554	45,272	4,416
Gross profit (loss)	435,947	57,334	(609)
Operating expenses:			
Research and development	87,833	41,502	23,987
Sales and marketing	89,029	20,931	4,216
General and administrative	21,176	5,235	2,223
Amortization of deferred stock compensation (1)	12,900	3,265	1,235
Amortization of goodwill and purchased intangibles	10,920	1,021	--
In-process research and development	10,000	--	--
Charitable contribution	10,000	--	--
Total operating expenses	241,858	71,954	31,661
Operating income (loss)	194,089	(14,620)	(32,270)
Interest income	88,960	8,539	1,956
Interest expense	(52,677)	(528)	(655)
Income (loss) before income taxes	230,372	(6,609)	(30,969)
Provision for income taxes	82,456	2,425	2
Net income (loss)	\$ 147,916	\$ (9,034)	\$ (30,971)
	=====	=====	=====
Net income (loss) per share:			
Basic	\$ 0.49	\$ (0.05)	\$ (0.40)
	=====	=====	=====
Diluted	\$ 0.43	\$ (0.05)	\$ (0.40)
	=====	=====	=====
Shares used in computing net income (loss) per share:			
Basic	304,381	189,322	77,742
	=====	=====	=====
Diluted	347,858	189,322	77,742
	=====	=====	=====

(1) Deferred stock compensation is allocable as follows:

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
Cost of revenues	\$ 382	\$ 473	\$ 163
Research and development	9,170	1,826	806
Sales and marketing	3,086	773	189
General and administrative	262	193	77
Total	\$12,900	\$3,265	\$1,235
	=====	=====	=====

See accompanying notes.

JUNIPER NETWORKS, INC.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(IN THOUSANDS)

	CONVERTIBLE PREFERRED STOCK		COMMON STOCK		TREASURY STOCK	
	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT
Balance at December 31, 1997	10,717	\$ --	114,728	\$ --	--	\$ --
Exercise of stock options by employees, net of repurchases	--	--	8,736	1	--	--
Deferred stock compensation	--	--	--	--	--	--
Amortization of deferred stock compensation	--	--	--	--	--	--
Net loss	--	--	--	--	--	--
Balance at December 31, 1998	10,717	--	123,464	1	--	--
Issuance of Series D and D-1 preferred stock to investors	3,080	--	--	--	--	--
Conversion of preferred stock to common stock	(13,797)	--	153,588	2	--	--
Issuance of common stock, net of issuance costs of \$1,885	--	--	23,226	--	--	--
Exercise of common stock warrants	--	--	1,558	--	--	--
Exercise of stock options by employees, net of repurchases	--	--	9,776	--	--	--
Issuance of common stock and options in connection with the acquisition of intellectual property and other intangibles	--	--	266	--	--	--
Deferred stock compensation	--	--	--	--	--	--
Amortization of deferred stock compensation	--	--	--	--	--	--
Other comprehensive loss:						
Change in unrealized loss on available-for-sale securities	--	--	--	--	--	--
Net loss	--	--	--	--	--	--
Comprehensive loss	--	--	--	--	--	--
Balance at December 31, 1999	--	--	311,878	3	--	--
Issuance of common stock in connection with the Employee Stock Purchase Program	--	--	627	--	--	--
Issuance of common stock in connection with the acquisition of Pacific Advantage Limited	--	--	66	--	--	--
Charitable contribution	--	--	135	--	--	--
Stock repurchase	--	--	--	--	(1,000)	(130,000)
Issuance of common stock and options in connection with the acquisition of Micro Magic, Inc.	--	--	--	--	828	107,685
Exercise of stock options by employees, net of repurchases	--	--	5,379	--	172	22,315
Amortization of deferred stock compensation	--	--	--	--	--	--
Tax benefits from employee stock option plans	--	--	--	--	--	--
Other comprehensive gain:						
Change in unrealized gain on available-for-sale securities, net of tax effect	--	--	--	--	--	--
Net income	--	--	--	--	--	--
Comprehensive income	--	--	--	--	--	--
Balance at December 31, 2000	--	\$ --	318,085	\$ 3	--	\$ --

	ADDITIONAL PAID-IN CAPITAL	DEFERRED STOCK COMPENSATION	ACCUMULATED OTHER COMPREHENSIVE GAIN (LOSS)	ACCUMULATED DEFICIT	TOTAL STOCKHOLDERS' EQUITY
Balance at December 31, 1997	\$ 58,210	\$ --	\$ --	\$ (12,162)	\$ 46,048
Exercise of stock options by employees, net of repurchases	752	--	--	--	753
Deferred stock compensation	6,388	(6,388)	--	--	--
Amortization of deferred stock compensation	--	1,235	--	--	1,235

Net loss	--	--	--	(30,971)	(30,971)
	-----	-----	-----	-----	-----
Balance at December 31, 1998	65,350	(5,153)	--	(43,133)	17,065
Issuance of Series D and D-1 preferred stock to investors	33,948	--	--	--	33,948
Conversion of preferred stock to common stock	--	--	--	--	2
Issuance of common stock, net of issuance costs of \$1,885	389,453	--	--	--	389,453
Exercise of common stock warrants	--	--	--	--	--
Exercise of stock options by employees, net of repurchases	6,870	--	--	--	6,870
Issuance of common stock and options in connection with the acquisition of intellectual property and other intangibles	16,960	--	--	--	16,960
Deferred stock compensation	1,114	(1,114)	--	--	--
Amortization of deferred stock compensation	--	3,266	--	--	3,266
Other comprehensive loss: Change in unrealized loss on available-for-sale securities	--	--	(815)	--	(815)
Net loss	--	--	--	(9,034)	(9,034)

Comprehensive loss	--	--	--	--	(9,849)
	-----	-----	-----	-----	-----
Balance at December 31, 1999	513,695	(3,001)	(815)	(52,167)	457,715
Issuance of common stock in connection with the Employee Stock Purchase Program	3,429	--	--	--	3,429
Issuance of common stock in connection with the acquisition of Pacific Advantage Limited	3,800	--	--	--	3,800
Charitable contribution	10,000	--	--	--	10,000
Stock repurchase	--	--	--	--	(130,000)
Issuance of common stock and options in connection with the acquisition of Micro Magic, Inc.	111,519	(121,712)	--	--	97,492
Exercise of stock options by employees, net of repurchases	10,971	--	--	--	33,286
Amortization of deferred stock compensation	--	12,900	--	--	12,900
Tax benefits from employee stock option plans	81,686	--	--	--	81,686
Other comprehensive gain: Change in unrealized gain on available-for-sale securities, net of tax effect	--	--	11,778	--	11,778
Net income	--	--	--	147,916	147,916

Comprehensive income	--	--	--	--	159,694
	-----	-----	-----	-----	-----
Balance at December 31, 2000	\$735,100	\$(111,813)	\$ 10,963	\$ 95,749	\$ 730,002
	=====	=====	=====	=====	=====

JUNIPER NETWORKS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (IN THOUSANDS)

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
OPERATING ACTIVITIES:			
Net income (loss)	\$ 147,916	\$ (9,034)	\$(30,971)
Adjustments to reconcile net income (loss) to net cash from operating activities:			
Depreciation	10,975	5,306	2,171
Amortization of goodwill, purchased intangibles and deferred stock compensation	23,820	4,933	1,602
Amortization of debt related charges	3,206	--	--
Tax benefit of employee stock option plans	81,686	--	--
Issuance of stock for consulting services	--	--	30
Issuance of stock as a charitable contribution	10,000	--	--
In-process research and development charge	10,000	--	--
Write-down of minority equity investments	4,575	--	--
Changes in operating assets and liabilities:			
Accounts receivable	(152,585)	(15,894)	(8,056)
Prepaid expenses and other current assets	(19,344)	(7,892)	(504)
Other long-term assets	(11,761)	(398)	(10)
Accounts payable and other current liabilities	103,214	16,593	4,084
Accrued warranty	25,753	8,957	684
Accrued milestone payment	--	--	(423)
Accrued compensation and related liabilities	16,273	4,257	869
Deferred revenue	15,355	13,631	5,639
Other long-term liabilities	--	--	43
Net cash provided by (used in) operating activities	269,083	20,459	(24,842)
INVESTING ACTIVITIES:			
Purchases of property and equipment, net	(34,999)	(10,020)	(6,531)
Purchases of available-for-sale investments	(1,437,406)	(324,437)	(3,501)
Maturities of available-for-sale investments	718,714	38,506	19,286
Minority equity investments	(100,496)	(8,000)	--
Acquisition of businesses, inclusive of intellectual property and other intangibles, net of cash acquired	(39,974)	(1,456)	--
Net cash provided by (used in) investing activities	(894,161)	(305,407)	9,254
FINANCING ACTIVITIES:			
Proceeds from sale-leaseback liabilities	--	--	5,705
Payments on lease obligations	--	(7,381)	(1,157)
Proceeds from issuance of convertible subordinated notes	1,123,325	--	--
Proceeds from issuance of preferred stock	--	33,948	--
Proceeds from issuance of common stock	36,715	396,326	696
Repurchase of common stock	(130,000)	--	--
Net cash provided by financing activities	1,030,040	422,893	5,244
Net increase (decrease) in cash and cash equivalents	404,962	137,945	(10,344)
Cash and cash equivalents at beginning of period	158,043	20,098	30,442
Cash and cash equivalents at end of period	\$ 563,005	\$ 158,043	\$ 20,098
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid for interest	\$ 28,375	\$ 477	\$ 592
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:			
Acquisition of property and equipment under capital lease	\$ --	\$ --	\$ 5,692
Deferred stock compensation	\$ 121,712	\$ 1,114	\$ 6,388
Common stock issued in connection with acquisitions	\$ 129,486	\$ 16,960	\$ --

See accompanying notes.

JUNIPER NETWORKS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF BUSINESS

Juniper Networks, Inc. ("Juniper Networks" or the "Company") was incorporated in the state of California on February 2, 1996. Effective March 15, 1998, Juniper Networks was reincorporated in the state of Delaware. Juniper Networks was established for the purpose of providing Internet infrastructure solutions to Internet service providers and other telecommunication service providers. Juniper Networks develops next generation Internet backbone routers.

In September 1998, Juniper Networks began shipping its first product, the M40 Internet backbone router, with volume shipments beginning in October 1998. Juniper Networks subsequently introduced the M20 in December 1999, the M160 in March 2000 and the M5 and M10 product platforms in September 2000. Juniper Networks currently sells its products to major service providers in North America through its direct sales force and sells to international customers primarily through value added resellers.

BASIS OF PRESENTATION

The consolidated financial statements include the accounts of Juniper Networks and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated.

USE OF ESTIMATES

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Examples of Juniper Networks' estimates include, but are not limited to, doubtful account provisions and warranty costs. Despite the Company's intention to establish accurate estimates and assumptions, actual results could differ materially from those estimates.

RECLASSIFICATIONS

Certain reclassifications, none of which affected operating or net income (loss), have been made to prior year amounts to conform to the current year presentation.

CASH AND CASH EQUIVALENTS

Juniper Networks considers all highly liquid investments with original maturity dates of 90 days or less at the date of acquisition to be cash equivalents. Cash equivalents consist of money market funds, commercial paper, government securities, certificates of deposit, and corporate securities.

INVESTMENTS

The Company's marketable securities are classified as available-for-sale as of the balance sheet dates and are reported at fair value, with unrealized gains and losses, net of tax, recorded in stockholders' equity. Realized gains or losses and declines in value determined to be other than temporary, if any, on available-for-sale securities will be reported in other income or expense as incurred.

Juniper Networks also has certain other minority equity investments in non-publicly traded companies. These investments are included in other assets on the balance sheet and are generally carried at cost as Juniper Networks owns less than 20% of the voting equity and does not have the ability to exercise significant influence over these companies. As of December 31, 2000 and 1999, \$88.9 million and \$8.0 million of these investments are included in other long-term assets. These investments are inherently high risk as the market for technologies or products manufactured by these companies are usually early stage at the time of the investment by Juniper Networks and such markets may never be significant. Juniper Networks could lose its entire investment in certain or all of these companies. Juniper Networks monitors these investments for impairment and makes appropriate reductions in carrying values when necessary. During 2000, Juniper Networks wrote-down these investments by \$4.6 million. No write-downs were recorded in 1999.

FAIR VALUE OF FINANCIAL INSTRUMENTS AND CONCENTRATIONS

The carrying value of the Company's cash and cash equivalents, investments and accounts receivable approximates fair market value due to the short period of time to maturity. The carrying amounts and fair value of the Company's convertible subordinated notes was \$1.15 billion and \$1.17 billion, respectively, at December 31, 2000. The fair value of the convertible subordinated notes is based upon quoted market rates. Financial instruments that subject Juniper Networks to concentrations of credit risk consist primarily of cash and cash equivalents, investments and trade accounts receivable. Part of the Company's investment portfolio includes minority equity investments in publicly traded companies, the values of which are subject to significant market price volatility. Juniper Networks maintains its cash and cash equivalents and investments with six high quality financial institutions. The Company's customer base consists of businesses throughout the world. Juniper Networks performs ongoing credit evaluations of its customers and generally does not require collateral on accounts receivable. Juniper Networks maintains reserves for potential credit losses and historically, such losses have been within management's expectations.

The Company's net revenues for 2000 were derived from the sale of five product platforms, the M5, M10, M20, M40 and M160 Internet routers. Net revenues for 1999 and 1998 were derived from the sale of one product, the M40. For 2000, one customer, customer A, accounted for 18% of net revenues. For 1999, two customers, customers A and C, accounted for 32% and 26% of net revenues. For 1998, two customers, customers A and B, accounted for 78% and 22% of net revenues. For 2000 and 1999, export sales accounted for a total of 35% and 22%, respectively, of net revenues.

Juniper Networks purchases certain of its components from sole suppliers. Additionally, Juniper Networks relies on two contract manufacturers for the production of all of its products. The inability of any supplier or manufacturer to fulfill supply requirements of Juniper Networks could negatively impact future operating results.

PROPERTY AND EQUIPMENT

Property and equipment, including equipment leased under capital leases, are recorded at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the lesser of the estimated useful life, generally three to five years, or the lease term of the respective assets.

GOODWILL AND PURCHASED INTANGIBLE ASSETS

Goodwill and purchased intangible assets are carried at cost less accumulated amortization. Amortization is computed using the straight-line method over the expected useful life of three years. As of December 31, 2000 and 1999, accumulated amortization of goodwill and purchased intangible assets totaled \$11.9 million and \$1.0 million, respectively.

VALUATION OF LONG-LIVED ASSETS

In accordance with Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," Juniper Networks periodically evaluates the carrying value of long-lived assets and certain identifiable intangibles for impairment, when events and circumstances indicate that the book value of an asset may not be recoverable. An impairment loss is recognized whenever the review demonstrates that the book value of a long-lived asset is not recoverable. Since inception through December 31, 2000, no impairment losses have been identified.

REVENUE RECOGNITION

Juniper Networks generally recognizes product revenue when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collectibility is probable, unless Juniper Networks has future obligations for network interoperability or has to obtain customer acceptance, in which case revenue and related costs are deferred until those obligations are met. Revenue from service obligations is deferred and generally recognized ratably over the period of the obligation. Amounts billed in excess of revenue recognized are included as deferred revenue and accounts receivable in the accompanying consolidated balance sheets. Juniper Networks accrues for warranty costs, sales returns, and other allowances based on its best estimate of costs that will be incurred on delivered product.

RESEARCH AND DEVELOPMENT

Costs to develop the Company's products are expensed as incurred in accordance with Statement of Financial Accounting Standards No. 2, "Accounting for Research and Development Costs," which establishes accounting and reporting standards for research and development.

Juniper Networks adopted SOP 98-1 "Accounting for Costs of Computer Software Developed or Obtained for Internal Use" during 1999, which requires that all costs related to the development of internal use software be expensed as incurred, other than those incurred during the application development stage. Costs incurred during the application development stage were insignificant for all periods presented.

ADVERTISING COSTS

Advertising costs are expensed as incurred and the totals have been insignificant to date.

STOCK-BASED COMPENSATION

Juniper Networks accounts for its stock options and equity awards in accordance with the provisions of the Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and has elected to follow the "disclosure only" alternative prescribed by FASB SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123").

STOCK SPLITS

Juniper Networks effected a three-for-two stock split of its common stock on each of June 27, 1997 and October 2, 1998, a three-for-one stock split in the form of a 200% common stock dividend paid on January 14, 2000 and a two-for-one stock split in the form of a 100% common stock dividend paid on June 15, 2000. All share and per share amounts have been adjusted to reflect the splits.

NET INCOME (LOSS) PER SHARE

Net income (loss) per share is calculated in accordance with SFAS No. 128, "Earnings per Share." Under the provisions of SFAS No. 128, basic net income (loss) per share is computed by dividing the net income (loss) available to common stockholders' for the period by the weighted average number of common shares outstanding during the period, excluding shares subject to repurchase. Diluted net income (loss) per share is computed by dividing the net income (loss) for the period by the weighted average number of common and potential common shares outstanding during the period if their effect is dilutive. Potential common shares comprise restricted common stock and incremental common shares issuable upon the exercise of stock options.

SEGMENT AND GEOGRAPHIC INFORMATION

In June 1997, the FASB issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS 131"). This Statement establishes standards for the way companies report information about operating segments in annual financial statements. It also establishes standards for related disclosures about products and services, geographic areas and major customers. In accordance with the provisions of SFAS 131, Juniper Networks has determined that it does not have separately reportable operating segments. Juniper Networks operates in one principal business segment across domestic and international markets.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS 133, as amended, establishes methods for derivative financial instruments and hedging activities related to those instruments, as well as other hedging activities. Juniper Networks is required to adopt SFAS 133 effective January 1, 2001. Because Juniper Networks currently does not hold any derivative instruments and does not engage in hedging activities, Juniper Networks does not currently believe that the adoption of SFAS 133, as amended, will have a significant impact on its financial position or results of operations.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101 ("SAB 101"). SAB 101 summarizes certain areas of the Staff's views in applying generally accepted accounting principles to revenue recognition in financial statements. Juniper Networks believes that its current revenue recognition principles comply with SAB 101.

In March 2000, the FASB issued Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation--an Interpretation of APB 25". This Interpretation clarifies (a) the definition of employee for purposes of applying APB 25, (b) the criteria for determining whether a plan qualifies as a non compensatory plan, (c) the accounting consequence of various modifications to the terms of a previously fixed stock option or award, and (d) the accounting for an exchange of stock compensation awards in a business combination. This Interpretation became effective July 1, 2000, but certain conclusions in this Interpretation cover specific events that occur after either December 15, 1998, or January 12, 2000. To the extent that this Interpretation covers events occurring during the period after December 15, 1998, or January 12, 2000, but before the effective date of July 1, 2000, the effects of applying this Interpretation are recognized on a prospective basis from July 1, 2000. In July 2000, in accordance with Interpretation No. 44, Juniper Networks recorded approximately \$121.7 million of deferred stock-based compensation in connection with the Micro Magic, Inc. acquisition of which \$11.1 million was expensed in the current year.

2. ACQUISITION OF MICRO MAGIC, INC.

On December 8, 2000, Juniper Networks acquired Micro Magic, Inc., ("Micro Magic"), an integrated circuit solutions company. The acquisition was accounted for using the purchase method of accounting and accordingly, the purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair values on the acquisition date. Since December 8, 2000, Micro Magic's results of operations have been included in the Company's Consolidated Statements of Operations. The fair value of the intangible assets was determined based upon a valuation using a combination of methods, including a cost approach for the assembled workforce and an income approach for the core technology.

The purchase price of approximately \$259.3 million consisted of an exchange of approximately 828,000 shares of the Company's common stock with a fair value of approximately \$125.7 million, assumed stock options with a fair value of approximately \$93.5 million, approximately \$40.0 million in cash, and other acquisition related expenses of approximately \$150,000 consisting of payments for professional fees. Of the total purchase price, approximately \$1.9 million was allocated to the net tangible assets acquired, approximately \$121.7 million was recorded as deferred compensation, and the remainder was allocated to intangible assets, including in-process technology of \$10.0 million, core technology of \$7.3 million, assembled workforce of \$900,000 and goodwill of approximately \$117.5 million. The deferred compensation charge relates to the intrinsic value of unvested stock options and restricted stock assumed in the transaction. The applications from the in-process technology project have been integrated into Juniper Networks' products. The efforts required to complete the acquired in-process technology included the completion of all planning, designing and testing activities that were necessary to establish that the product can be produced to meet its design requirements, including functions, features and technical performance requirements.

The value of the acquired in-process technology was computed using a discounted cash flow analysis rate of 19% on the anticipated income stream of the related product revenues. The discounted cash flow analysis was based on management's forecast of future revenues, cost of revenues, and operating expenses related to the products and technologies purchased from Micro Magic. The calculation of value was then adjusted to reflect only the value creation efforts of Micro Magic prior to the close of the acquisition. At the time of the acquisition, the product was approximately 88% complete. The majority of the costs to complete the project will be incurred in fiscal 2001 and the remaining costs are not material. The resultant value of in-process technology was further reduced by the estimated value of core technology and was expensed in the period the transaction was consummated. The deferred compensation is presented as a reduction of stockholders' equity and is being amortized over the vesting period of the applicable options or restricted stock using the graded vesting method. The acquired intangible assets are being amortized over their estimated useful lives of three years. Goodwill is being amortized using the straight-line method over three years, resulting in an aggregate quarterly charge of \$9.8 million during the amortization period. At December 31, 2000, cumulative amortization of goodwill, other intangible assets and deferred compensation associated with this acquisition totaled \$14.6 million.

The following is a summary of the allocation of the purchase price in the acquisition of Micro Magic (in thousands):

Net assets acquired	\$ 1,930
In-process research and development	10,000
Assembled workforce	900
Purchased technology	7,300
Goodwill	117,486
Deferred compensation on unvested stock and stock options	121,711

Total	\$259,327
	=====

The following unaudited pro forma summary presents the Company's consolidated results of operations for the year ended December 31, 2000 and 1999 as if the Micro Magic acquisition had been consummated at the beginning of each period. The pro forma consolidated results of operations include certain pro forma adjustments, including amortization of goodwill and other intangible assets, amortization of deferred compensation and the elimination of the charge for acquired in process research and development.

Unaudited pro forma results for the years ended December 31, are as follows (in thousands, except per share amounts):

	2000	1999
	-----	-----
Net revenues	\$677,400	\$ 106,050
Net income (loss)	45,079	(130,454)
Basic net income (loss) per share	\$ 0.15	\$ (0.69)
Diluted net income (loss) per share	\$ 0.13	\$ (0.69)

The pro forma results are not necessarily indicative of those that would have actually occurred had the acquisitions taken place at the beginning of the periods presented.

3. CASH EQUIVALENTS, SHORT-TERM AND LONG-TERM INVESTMENTS

Cash equivalents, short-term and long-term investments consist of the following (in thousands):

	DECEMBER 31, 2000			
	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
	-----	-----	-----	-----
Money market funds	\$ 281,380	\$ --	\$ --	\$ 281,380
Commercial paper	200,722	--	--	200,722
Certificates of deposit	19,281	--	--	19,281
Government securities	292,144	2,085	(9)	294,220
Corporate debt securities	631,946	4,898	(303)	636,541
Asset-backed securities	63,807	148	--	63,955
Equity securities	10,000	10,863	--	20,863
	-----	-----	-----	-----
	\$1,499,280	\$ 17,994	\$ (312)	\$1,516,962
	=====	=====	=====	=====
Included in cash and cash equivalents	\$ 484,637	\$ 19	\$ --	\$ 484,656
Included in short-term investments	579,520	2,464	(246)	581,738
Included in long-term investments	435,123	15,511	(66)	450,568
	-----	-----	-----	-----
	\$1,499,280	\$ 17,994	\$ (312)	\$1,516,962
	=====	=====	=====	=====
Due within one year	\$1,064,157	\$ 2,483	\$ (246)	\$1,066,394
Due between one year and two years	337,662	13,915	(62)	351,515
Due between two years and three years	97,461	1,596	(4)	99,053
	-----	-----	-----	-----
	\$1,499,280	\$ 17,994	\$ (312)	\$1,516,962
	=====	=====	=====	=====

	DECEMBER 31, 1999			
	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED FAIR VALUE
	-----	-----	-----	-----
Money market funds	\$ 56,034	\$ --	\$ --	\$ 56,034
Commercial paper	79,862	--	--	79,862
Certificates of deposit	66	--	--	66
Government securities	135,325	5	(181)	135,149
Corporate debt securities	151,829	12	(651)	151,190
Asset-backed securities	8,000	--	--	8,000
	-----	-----	-----	-----
	\$ 431,116	\$ 17	\$ (832)	\$ 430,301
	=====	=====	=====	=====
Included in cash and cash equivalents	\$ 145,179	\$ 6	\$ --	\$ 145,185
Included in short-term investments	188,170	11	(266)	187,915
Included in long-term investments	97,767	--	(566)	97,201
	-----	-----	-----	-----
	\$ 431,116	\$ 17	\$ (832)	\$ 430,301
	=====	=====	=====	=====
Due within one year	\$ 333,349	\$ 17	\$ (266)	\$ 333,100
Due between one year and two years	94,500	--	(537)	93,963
Due between two years and three years	3,267	--	(29)	3,238
	-----	-----	-----	-----
	\$ 431,116	\$ 17	\$ (832)	\$ 430,301

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4. PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following (in thousands):

	DECEMBER 31,	
	2000	1999
Computers and equipment	\$ 34,511	\$ 14,953
Purchased software	9,688	4,252
Leasehold improvements	9,010	--
Furniture and fixtures	2,379	1,383
Total	55,588	20,588
Less accumulated depreciation and lease amortization	(19,148)	(8,172)
Property and equipment, net	\$ 36,440	\$ 12,416
	=====	=====

5. COMMITMENTS

Juniper Networks leases its facilities under operating leases that expire in 2012. Rental expense for the years ended December 31, 2000, 1999 and 1998, was approximately \$5.1 million, \$1.8 million and \$937,000, respectively.

Future minimum payments under the noncancellable operating leases consist of the following (in thousands):

	DECEMBER 31, 2000
2001.....	\$ 13,486
2002.....	18,615
2003.....	18,829
2004.....	17,872
2005.....	18,004
Thereafter.....	135,029
Total minimum lease payments.....	\$ 221,835
	=====

6. LONG-TERM DEBT

In March 2000, Juniper Networks received \$1.12 billion of net proceeds from an offering of \$1.15 billion aggregate principal amount 4.75% Convertible Subordinated Notes (convertible notes) due March 15, 2007. Interest on the convertible notes accrues at 4.75% per year and is payable on March 15 and September 15 each year in cash. The convertible notes are subordinate in right of payment to all senior debt. The convertible notes are convertible into shares of Juniper Networks common stock at any time prior to maturity or their prior redemption or repurchase by Juniper Networks. The conversion rate is 6.0992 shares per each \$1,000 principal amount of convertible notes, subject to adjustment in certain circumstances. On or after the third business day after March 15, 2003, Juniper Networks has the option to redeem the convertible notes at the following redemption price (expressed as percentages of principle amount):

Period	REDEMPTION PRICE
Beginning on the third business day after March 15, 2003 and ending on March 14, 2004	102.714%
Beginning on March 15, 2004 and ending on March 14, 2005	102.036
Beginning on March 15, 2005 and ending on March 14, 2006	101.357
Beginning on March 15, 2006 and ending on March 14, 2007	100.679

7. STOCKHOLDERS' EQUITY

COMMON STOCK

Juniper Networks is authorized to issue up to 1,000,000,000 shares of its common stock. At December 31, 2000 and 1999, approximately 318,085,000 and 311,878,000 shares were issued and outstanding. Prior to the adoption of the 1996 Stock Option Plan, Juniper Networks issued shares of common stock to founders, investors and employees. The shares issued to investors were fully vested upon purchase. Generally, shares issued to founders and employees were sold pursuant to restricted stock purchase agreements containing provisions established by the Board of Directors. These provisions give Juniper Networks the right to repurchase the shares at the original sales price. This right expires at the rate of 25% after one year and 2.0833% per month thereafter. At December 31, 1999 1,680,002 shares issued outside of the 1996 Stock Option Plan remained subject to repurchase (none at December 31, 2000).

STOCK REPURCHASE

On December 6, 2000, Juniper Networks repurchased 1,000,000 shares of its common stock at a cost of approximately \$130.0 million. All shares repurchased were subsequently reissued later in December 2000 with the difference between the repurchase price and the re-issuance price charged to additional paid-in capital.

STOCK OPTION PLANS

Amended and Restated 1996 Stock Option Plan

The Company's Amended and Restated 1996 Stock Option Plan (the "1996 Plan") provides for the granting of incentive stock options to employees and nonstatutory stock options to employees, directors and consultants. Incentive stock options are granted at an exercise price of not less than the fair value per share of the common stock on the date of grant. Nonstatutory stock options may be granted at an exercise price of not less than 85% of the fair value per share on the date of grant; however, no nonstatutory stock options have been granted for less than fair market value on the date of grant. Vesting and exercise provisions are determined by the Board of Directors. Options granted under the 1996 Plan generally become exercisable over a four-year period beginning on the date of grant. Options granted under the 1996 Plan have a maximum term of ten years. Options granted to consultants are in consideration for the fair value of services previously rendered, are not contingent upon future events and are expensed in the period of grant. Juniper Networks has authorized 130,718,778 shares of common stock for issuance under the 1996 Plan. At December 31, 2000, 12,370,543 shares were available for future option grants or stock sales under the 1996 Plan.

The 1996 Plan also provides for the sale of shares of common stock to employees and consultants at the fair value per share of the common stock. Shares issued to consultants are for the fair value of services previously rendered and are not contingent upon future events. Shares sold to employees are made pursuant to restricted stock purchase agreements containing provisions established by the Board of Directors. These provisions give Juniper Networks the right to repurchase the shares at the original sales price upon termination of the employee. This right expires at a rate determined by the Board of Directors, generally at the rate of 25% after one year and 2.0833% per month thereafter. No shares were issued under the 1996 Plan in 2000 and 1999. At December 31, 2000 and 1999, 3,840,162 shares and 18,316,104 shares were subject to repurchase rights under the 1996 Plan. At December 31, 2000 and 1999, 3,660,605 and 2,533,018 shares, respectively, had been repurchased under the 1996 Plan in connection with employee terminations.

2000 Nonstatutory Stock Option Plan

In July 2000, the Board of Directors adopted the Juniper Networks 2000 Nonstatutory Stock Option Plan (the "2000 Plan"). The 2000 Plan provides for the granting of nonstatutory stock options to employees, directors and consultants. Nonstatutory stock options may be granted at an exercise price of not less than 85% of the fair value per share on the date of grant; however, no nonstatutory stock options have been granted for less than fair market value on the date of grant. Vesting and exercise provisions are determined by the Board of Directors. Options granted under the 2000 Plan generally become exercisable over a four-year period beginning on the date of grant. Options granted under the 2000 Plan have a maximum term of ten years. Options granted to consultants are in consideration for the fair value of services previously rendered, are not contingent upon future events and are expensed in the period of grant. Juniper Networks has authorized 12,000,000 shares of common stock for issuance under the 2000 Plan. At December 31, 2000, 5,442,751 shares were available for future option grants under the 2000 Plan.

Micro Magic 1995 Stock Option Plan and 2000 Stock Option Plan

In connection with the acquisition of Micro Magic, Inc. in December 2000, the Company assumed all outstanding options under the Micro Magic, Inc. 1995 Stock Option Plan and the Micro Magic, Inc. 2000 Stock Option Plan (collectively, the "MMI Plans"). The MMI Plans have been terminated except with respect to the options outstanding at the time of the acquisition. The MMI Plans provided for the granting of incentive stock options to employees and nonstatutory stock options to employees, directors and consultants. Incentive stock options were granted at an exercise price of not less than the fair value per share of the common stock on the date of grant. Nonstatutory stock options could be granted at an exercise price of not less than 85% of the fair value per share on the date of grant. Vesting and exercise provisions were determined by the Board of Directors of Micro Magic, Inc. Options under the MMI Plans generally become exercisable over a four-year period beginning on the date of grant and have a maximum term of 10 years. Juniper Networks has authorized an aggregate of 626,187 shares of

common stock for issuance under the MMI Plans. No shares are available for future option grants under the MMI Plans.

Option activity under all Plans is summarized as follows:

	OUTSTANDING OPTIONS	
	NUMBER OF SHARES	WEIGHTED-AVERAGE EXERCISE PRICE
Balance at December 31, 1997	10,340,321	\$ 0.03
Options granted	21,074,880	\$ 0.31
Options exercised	(9,043,896)	\$ 0.08
Options canceled	(730,056)	\$ 0.04
Balance at December 31, 1998	21,641,249	\$ 0.28
Options granted	33,674,012	\$16.88
Options exercised	(9,870,180)	\$ 0.57
Options canceled	(952,930)	\$ 3.89
Balance at December 31, 1999	44,492,151	\$12.56
Options granted and assumed	17,875,906	\$89.05
Options exercised	(7,139,401)	\$ 4.98
Options canceled	(2,347,672)	\$20.41
Balance at December 31, 2000	52,880,984	\$39.96
	=====	

The following schedule summarizes information about stock options outstanding under all Plans as of December 31, 2000:

RANGE OF EXERCISE PRICES	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
	NUMBER OUTSTANDING	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED-AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE	WEIGHTED-AVERAGE EXERCISE PRICE
\$ 0.02 -- \$ 0.82	9,507,689	7.46	\$ 0.32	3,627,057	\$ 0.26
\$ 1.47 -- \$ 3.50	10,219,378	8.32	\$ 2.80	2,208,698	\$ 2.59
\$ 4.67 -- \$ 30.34	2,462,264	8.53	\$ 9.95	488,127	\$ 9.85
\$30.35 -- \$ 30.35	11,762,775	8.76	\$ 30.35	2,204,300	\$30.35
\$31.81 -- \$ 79.03	8,917,279	9.16	\$ 64.85	404,490	\$45.71
\$87.59 -- \$183.06	10,011,599	6.44	\$ 112.02	100	\$93.94
	=====			=====	
\$ 0.02 -- \$183.06	52,880,984	8.06	\$ 39.96	8,932,772	\$10.85
	=====			=====	

As of December 31, 1999, 3,133,192 options were exercisable at an average exercise price of \$0.52 and as of December 31, 1998, 651,216 options were exercisable at an average exercise price of \$0.03.

During the year ended December 31, 1998 and the three months ended March 31, 1999, in connection with the grant of certain stock options to employees, Juniper Networks recorded deferred stock compensation of \$6.4 million and \$1.1 million representing the difference between the exercise price and the deemed fair value of Juniper Networks' common stock on the date such stock options were granted. Such amount is included as a reduction of stockholders' equity and is being amortized by charges to operations on a graded vesting method. Juniper Networks recorded amortization of deferred stock compensation expense of \$1.8 million and \$3.3 million for 2000 and 1999. At December 31, 2000 and 1999, Juniper Networks had a total of \$1.2 million and \$3.0 million remaining to be amortized over the corresponding vesting period of each respective option, generally four years. In addition, the Company has recorded \$121.7 million of deferred compensation in connection with the acquisition of Micro Magic, Inc., of which \$11.1 million has been expensed in 2000.

EMPLOYEE STOCK PURCHASE PLAN

In April 1999, the Board of Directors approved the adoption of Juniper Networks 1999 Employee Stock Purchase Plan (the Purchase Plan). A total of 3,000,000 shares of common stock were originally reserved for issuance under the 1999 Purchase Plan, plus, commencing on January 1, 2000, annual increases equal to the lesser of 3,000,000 shares, or 1% of the outstanding common shares on such date or a lesser amount determined by the Board of Directors. The 1999 Purchase Plan permits eligible employees to acquire shares of the Company's common stock through periodic payroll deductions of up to 10% of base compensation. No more than 6,000 shares may be purchased by each employee in any twelve-month period, and in no event, may an employee purchase more than \$25,000 worth of stock, determined at the fair market value of the shares at the time such option is granted, in one calendar year. The Purchase Plan is implemented in a series of offering periods, each six months in duration; provided, however, that the first offering period was approximately thirteen months in duration, ending on July 31, 2000. The price at which the common stock may be purchased is 85% of the lesser of the fair market value of the Company's common stock on the first day of the applicable offering period or on the last day of the respective offering period.

As of December 31, 2000, a total of 627,514 shares had been issued under the Purchase Plan at an average price of \$5.46 per share, and 5,372,486 shares remained available for future issuance under the Purchase Plan.

STOCK-BASED COMPENSATION

The Company has elected to follow APB 25 and related interpretations in accounting for its employee stock-based compensation plans. Because the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized.

Pro forma information regarding net income (loss) and net income (loss) per share has been determined as if Juniper Networks had accounted for its employee stock options (including shares issued under the Purchase Plan) under the fair value method prescribed by FAS 123. The resulting effect on pro forma net loss disclosed is not likely to be representative of the effects on net income (loss) on a pro forma basis in future years, due to subsequent years including additional grants and years of vesting.

The fair value of each option granted through December 31, 2000 was estimated on the date of grant using the minimum value (before the Company went public) or the Black-Scholes method. The fair value of the Company's stock-based awards was estimated using the following weighted-average assumptions:

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
EMPLOYEE STOCK OPTIONS:			
Dividend yield.....	--	--	--
Volatility factor.....	110%	80%	--
Risk-free interest rate.....	5.31%	5.49%	5.23%
Expected life.....	3.0 years	3.0 years	4.5 years
PURCHASE PLAN:			
Dividend yield.....	--	n/a	n/a
Volatility factor.....	110%	n/a	n/a
Risk-free interest rate.....	6.32%	n/a	n/a
Expected life.....	1.0 years	n/a	n/a

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. The Black-Scholes model requires the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock-based awards have characteristics significantly different from those in traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its stock-based awards. The weighted average estimated fair value of employee stock options granted during 2000, 1999 and 1998 was \$56.17, \$8.99 and \$0.19 per share, respectively. The weighted average estimated fair value of shares granted under the Purchase Plan during 2000 was \$3.71.

For purposes of pro forma disclosures, the estimated fair value of options is amortized to pro forma expense over the options' vesting period. Pro forma information follows (in thousands, except per share amounts):

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
Net income (loss):			
As reported	\$ 147,916	\$ (9,034)	\$ (30,971)
Pro forma	(170,670)	(43,488)	(31,143)
Basic net income (loss) per share:			
As reported	0.49	(0.05)	(0.40)
Pro forma	(0.56)	(0.23)	(0.40)
Diluted net income (loss) per share:			
As reported	0.43	(0.05)	(0.40)
Pro forma	\$ (0.56)	\$ (0.23)	\$ (0.40)

COMMON STOCK RESERVED FOR FUTURE ISSUANCE

At December 31, 2000, Juniper Networks had reserved an aggregate of 84,231,071 shares of common stock for future issuance under all its Stock Option Plans, the 1999 Employee Stock Purchase Plan and for future issuance upon conversion of convertible subordinated notes.

8. 401(k) PLAN

Juniper Networks maintains a savings and retirement plan qualified under Section 401(k) of the Internal Revenue Code of 1986, as amended. All employees are eligible to participate on their first day of employment with Juniper

Networks. Under the plan, employees may contribute up to 20% of their pretax salaries per year but not more than the statutory limits. Juniper Networks does not contribute to the plan.

9. INCOME TAXES

Significant components of the provision (benefit) for income taxes attributable to operations are as follows (in thousands):

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
Federal			
Current	\$ --	\$ 700	\$ --
Deferred	--	--	--
State			
Current	2	800	2
Deferred	--	--	--
Foreign			
Current	768	925	--
Deferred	--	--	--
Income tax benefits attributable to employee stock plan activity allocated to stockholders' equity	81,686	--	--
Total provision for income taxes	\$82,456	\$2,425	\$ 2
	=====	=====	===

Deferred income taxes reflect the net tax effects of tax carryforward items and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities are as follows at December 31 (in thousands):

	2000	1999	1998
	-----	-----	-----
Deferred tax assets:			
Net operating loss carryforwards	\$ 92,000	\$ 14,000	\$ 13,470
Research credit carryforwards	6,549	2,830	1,490
Deferred revenue	17,655	6,200	2,700
Reserves and accruals not currently deductible	33,594	7,250	500
Other temporary differences	2,802	840	(110)
Total deferred tax assets	152,600	31,120	18,050
Valuation allowance	(118,994)	(31,120)	(18,050)
Net deferred tax asset	33,606	--	--
Deferred tax liability -- deferred compensation and other	(33,606)	--	--
Net deferred tax assets	\$ --	\$ --	\$ --
	=====	=====	=====

Unused net operating loss and research and development tax credit carryforwards will expire at various dates beginning in the years 2005 and 2012, respectively. Juniper Networks has provided a valuation allowance on its net deferred tax assets because of uncertainty regarding their realizability due to future employee stock option exercises. The net valuation allowance increased by \$87.9 million in 2000, and by \$13.1 million and \$12.8 million in 1999 and 1998, respectively. At December 31, 2000, substantially all of the valuation allowance shown above relates to the tax benefits of stock option deductions that will be credited to equity when realized.

The provision for income taxes differs from the provision calculated by applying the federal statutory tax rate to income (loss) before taxes because of the following (in thousands):

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
	-----	-----	-----
Expected provision (benefit) at 35%	\$ 80,630	\$ (2,313)	\$ (10,839)
Federal alternative minimum tax	--	700	--
State taxes, net of federal benefit	9,000	800	2
Foreign taxes	--	925	--
Nondeductible goodwill and in-process research and development	7,700	--	--
(Benefited) unbenefited operating losses	(10,612)	2,313	10,839

Research and development credits	(4,000)	--	--
Other	(262)	--	--
	-----	-----	-----
Provision for income taxes	\$ 82,456	\$ 2,425	\$ 2
	=====	=====	=====

10. SEGMENT INFORMATION

Juniper Networks adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information", (SFAS 131), in 1999. SFAS 131 supercedes SFAS No. 14, "Financial Reporting for Segments of a Business Enterprise" and establishes standards for reporting information about operating segments. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

Juniper Networks operates in one segment, the development and marketing of Internet infrastructure equipment. Juniper Networks markets its products in the United States and in foreign countries through its sales personnel and its subsidiaries. The Company's management evaluates resource allocation decisions and operational performance based upon revenue by the geographic regions of the segment and does not receive discrete financial information about asset allocation and expense allocation on a disaggregated basis. There are no significant long-lived assets held outside the United States.

Information regarding geographic areas for the years ended December 31 are as follows (in thousands):

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
	-----	-----	-----
Revenues:			
United States	\$437,720	\$ 79,904	\$3,807
International	235,781	22,702	--
	-----	-----	-----
Total	\$673,501	\$102,606	\$3,807
	=====	=====	=====

Revenues are attributed to regions based on the location of the customers.

11. NET INCOME (LOSS) PER SHARE

The following table presents the calculation of basic and diluted net income (loss) per share (in thousands, except per share amounts):

	YEAR ENDED DECEMBER 31,		
	2000	1999	1998
	-----	-----	-----
Net income (loss)	\$ 147,916	\$ (9,034)	\$ (30,971)
	=====	=====	=====
Basic and diluted:			
Weighted-average shares of common stock			
outstanding	315,252	219,304	118,146
Less: weighted-average shares subject to			
repurchase	(10,871)	(29,982)	(40,404)
	-----	-----	-----
Weighted-average shares used in computing basic			
net income (loss) per share	304,381	189,322	77,742
	=====	=====	=====
Effect of dilutive securities:			
Shares subject to repurchase	10,871	--	--
Employee stock options	32,606	--	--
	-----	-----	-----
Weighted-average shares used in computing diluted			
net income (loss) per share	347,858	189,322	77,742
	=====	=====	=====
Basic net income (loss) per share	\$ 0.49	\$ (0.05)	\$ (0.40)
	=====	=====	=====
Diluted net income (loss) per share	\$ 0.43	\$ (0.05)	\$ (0.40)
	=====	=====	=====

For 1999 and 1998, Juniper Networks has excluded all convertible preferred stock, warrants for convertible preferred stock, outstanding stock options and shares subject to repurchase from the calculation of diluted loss per share because all such securities are antidilutive in those periods. For 2000, the convertible subordinate notes were also excluded from the calculation of diluted loss per share because the effect of the assumed conversion of the notes is antidilutive.

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Juniper Networks, Inc.

We have audited the accompanying consolidated balance sheets of Juniper Networks, Inc. as of December 31, 2000 and 1999, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Juniper Networks, Inc. at December 31, 2000 and 1999, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

/s/ Ernst & Young LLP

*Palo Alto, California
January 15, 2001*

JUNIPER NETWORKS, INC.

SUPPLEMENTARY DATA

QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

	QUARTER ENDED			
	DECEMBER 31, 2000	SEPTEMBER 30, 2000	JUNE 30, 2000	MARCH 31, 2000
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)			
CONSOLIDATED STATEMENT OF OPERATIONS DATA:				
Net revenues	\$ 295,386	\$ 201,201	\$ 113,028	\$ 63,886
Cost of revenues	101,410	70,291	40,752	25,101
Gross profit	193,976	130,910	72,276	38,785
Operating expenses:				
Research and development	30,243	23,600	18,000	15,990
Sales and marketing	36,892	23,385	17,247	11,505
General and administrative	8,545	5,446	4,171	3,014
Amortization of goodwill, purchased intangibles and deferred stock compensation	16,842	2,272	2,315	2,391
In-process research and development	10,000	--	--	--
Charitable contribution	--	--	10,000	--
Total operating expenses	102,522	54,703	51,733	32,900
Operating income	91,454	76,207	20,543	5,885
Interest income and provision for income taxes, net	(29,297)	(18,136)	(926)	2,186
Net income (loss)	\$ 62,157	\$ 58,071	\$ 19,617	\$ 8,071
Basic net income (loss) per share	\$ 0.20	\$ 0.19	\$ 0.06	\$ 0.03
Diluted net income (loss) per share	\$ 0.18	\$ 0.17	\$ 0.06	\$ 0.02

	QUARTER ENDED			
	DECEMBER 31, 1999	SEPTEMBER 30, 1999	JUNE 30, 1999	MARCH 31, 1999
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)			
CONSOLIDATED STATEMENT OF OPERATIONS DATA:				
Net revenues	\$ 45,442	\$ 29,564	\$ 17,556	\$ 10,044
Cost of revenues	18,389	12,490	8,046	6,347
	-----	-----	-----	-----
Gross profit	27,053	17,074	9,510	3,697
Operating expenses:				
Research and development	15,820	11,510	7,991	6,181
Sales and marketing	8,869	5,610	3,849	2,603
General and administrative	1,781	1,701	977	776
Amortization of goodwill and purchased intangibles and deferred stock compensation	1,689	802	891	904
	-----	-----	-----	-----
Total operating expenses	28,159	19,623	13,708	10,464
	-----	-----	-----	-----
Operating loss	(1,106)	(2,549)	(4,198)	(6,767)
Interest income and provision for income taxes, net	4,186	962	346	92
	-----	-----	-----	-----
Net income (loss)	\$ 3,080	\$ (1,587)	\$ (3,852)	\$ (6,675)
	=====	=====	=====	=====
Basic net income (loss) per share	\$ 0.01	\$ (0.01)	\$ (0.04)	\$ (0.07)
	=====	=====	=====	=====
Diluted net income (loss) per share	\$ 0.01	\$ (0.01)	\$ (0.04)	\$ (0.07)
	=====	=====	=====	=====

EXHIBIT 21.1

SUBSIDIARIES OF REGISTRANT

Name	Jurisdiction of Incorporation
----	-----
Juniper Networks Austria Trading GmbH	Austria
Juniper Networks Belgium N.V.	Belgium
Juniper Networks Denmark ApS	Denmark
Juniper Networks Finland O.Y.	Finland
Juniper Networks France Sarl	France
Juniper Networks GmbH	Germany
Juniper Networks Ireland Limited	Ireland
Juniper Networks Italy srl	Italy
Juniper Networks B.V.	The Netherlands
Juniper Networks (U.K.) Limited	United Kingdom
Juniper Networks (Spain) S.L.	Spain
Juniper Networks Sweden AB	Sweden
Juniper Networks Switzerland GmbH	Switzerland
Juniper Networks Australia Pty Ltd.	Australia
Juniper Networks (Hong Kong) Limited	Hong Kong
Juniper Networks South Asia Limited	Hong Kong
Juniper Networks China Limited	Hong Kong
Juniper Networks India Private Limited	India
Juniper Networks, K.K.	Japan
Juniper Networks Korea, Ltd.	Korea
Juniper Networks Malaysia SDN. BHD.	Malaysia
Juniper Networks (Singapore) Pte Ltd	Singapore
Juniper Networks Brazil Ltda.	Brazil
Juniper Networks Canada Inc.	Canada
Juniper Networks Mexico SA de CV	Mexico
Juniper Acquisition Corporation	Delaware
Juniper Networks (Cayman) Limited	Cayman Islands
Juniper Networks Credit Corporation	Nevada
Juniper Networks Limited	Cyprus
Juniper Networks FSC, Ltd.	Barbados
Juniper Networks International Inc.	Delaware
Menlo/Juniper Networks LLC	California

EXHIBIT 23.1

CONSENT OF ERNST & YOUNG, LLP INDEPENDENT AUDITORS

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Juniper Networks, Inc. of our report dated January 15, 2001 included in the 2000 Annual Report to Stockholders of Juniper Networks, Inc.

Our audits also included the financial statement schedule of Juniper Networks, Inc. listed in Item 14(a). This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also consent to the incorporation by reference in the following registration statements of Juniper Networks, Inc. of our report dated January 15, 2001, with respect to the consolidated financial statements incorporated by reference and our report included in the preceding paragraph with respect to the financial statement schedule included in the Annual Report (Form 10-K) for the year ended December 31, 2000:

Form Number -----	Registration Statement Number -----	Description -----
Form S-8	333-85387	Juniper Networks, Inc. Amended and Restated 1996 Stock Plan
Form S-8	333-32412	Juniper Networks, Inc. 1999 Employee Stock Purchase Plan
Form S-8	333-44148	Juniper Networks, Inc. Amended and Restated 1996 Stock Plan
Form S-8	333-52258	Layer 5 1999 Stock Incentive Plan
Form S-3	333-44116	Juniper Networks, Inc. 2000 Nonstatutory Stock Option Plan
Form S-3	333-52260	Micro Magic 1995 Stock Option Plan
		Micro Magic 2000 Stock Option Plan
		Equity Securities
		Equity Securities

/s/ Ernst & Young LLP

Palo Alto, California
March 23, 2001

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