

Section 1: 10-Q (10-Q)

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

Form 10-Q

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

For the quarterly period ended **June 30, 2018**.

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: **001-36355**

Aerohive Networks, Inc.

(Exact name of registrant as specified in its charter)

Delaware

*(State or other jurisdiction of
incorporation or organization)*

20-4524700

*(I.R.S. Employer
Identification Number)*

**1011 McCarthy Boulevard
Milpitas, California 95035
(408) 510-6100**

*(Address, including zip code, and telephone number,
including area code, of registrant's principal executive offices)*

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 whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The number of shares of the registrant's common stock, par value \$0.001, outstanding as of July 27, 2018 was 55,323,058.

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The Aerohive Networks design logo and the marks "Aerohive®," "HiveManager®," "HiveOS®," "Aerohive Networks™," "Aerohive Atom AP30™," "Aerohive Connect™," "HiveManager Connect™," "Aerohive Select™," and "HiveCare Select™" are the property of Aerohive Networks, Inc. All Rights Reserved. This Quarterly Report on Form 10-Q contains additional trade names, trademarks and service marks of other companies.

PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AEROHIVE NETWORKS, INC.
Condensed Consolidated Balance Sheets
(unaudited, in thousands, except share and per share amounts)

	June 30, 2018	December 31, 2017
		(As Adjusted)*
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 34,973	\$ 27,249
Short-term investments	52,644	57,675
Accounts receivable, net of allowance for doubtful accounts of \$120 and \$127 as of June 30, 2018 and December 31, 2017, respectively	17,187	17,662
Inventories	11,234	13,495
Prepaid expenses and other current assets	6,689	6,396
Total current assets	122,727	122,477
Property and equipment, net	6,881	6,381
Goodwill	513	513
Other assets	5,270	4,900
Total assets	<u>\$ 135,391</u>	<u>\$ 134,271</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 12,395	\$ 11,946
Accrued liabilities	9,080	8,602
Debt, current	20,000	—
Deferred revenue, current	35,393	33,279
Total current liabilities	76,868	53,827
Debt, non-current	—	20,000
Deferred revenue, non-current	35,914	33,761
Other liabilities	1,687	1,769
Total liabilities	114,469	109,357
Commitments and contingencies (Note 5)		
Stockholders' equity:		
Preferred stock, par value of \$0.001 per share - 25,000,000 shares authorized as of June 30, 2018 and December 31, 2017; no shares issued and outstanding as of June 30, 2018 and December 31, 2017	—	—
Common stock, par value of \$0.001 per share - 500,000,000 shares authorized as of June 30, 2018 and December 31, 2017; 55,320,058 and 54,171,498 shares issued and outstanding as of June 30, 2018 and December 31, 2017, respectively	55	55
Additional paid-in capital	285,722	278,528
Treasury stock - 1,610,204 and 1,361,243 shares as of June 30, 2018 and December 31, 2017, respectively	(7,239)	(6,216)
Accumulated other comprehensive loss	(44)	(30)
Accumulated deficit	(257,572)	(247,423)
Total stockholders' equity	20,922	24,914
Total liabilities and stockholders' equity	<u>\$ 135,391</u>	<u>\$ 134,271</u>

See notes to condensed consolidated financial statements.

* The Company has adjusted certain amounts for the retrospective change in accounting policy for revenue recognition (See Note 1).

AEROHIVE NETWORKS, INC.
Condensed Consolidated Statements of Operations
(unaudited, in thousands, except share and per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Revenue:		(As Adjusted)*		(As Adjusted)*
Product	\$ 29,268	\$ 32,105	\$ 54,334	\$ 59,072
Subscription and support	11,207	10,096	21,908	19,458
Total revenue	40,475	42,201	76,242	78,530
Cost of revenue ⁽¹⁾ :				
Product	10,379	10,470	19,050	19,285
Subscription and support	3,383	3,153	6,787	6,329
Total cost of revenue	13,762	13,623	25,837	25,614
Gross profit	26,713	28,578	50,405	52,916
Operating expenses:				
Research and development ⁽¹⁾	8,581	9,222	17,860	18,772
Sales and marketing ⁽¹⁾	15,731	17,411	31,401	34,848
General and administrative ⁽¹⁾	5,272	5,489	11,226	11,786
Total operating expenses	29,584	32,122	60,487	65,406
Operating loss	(2,871)	(3,544)	(10,082)	(12,490)
Interest income	337	164	626	304
Interest expense	(183)	(147)	(347)	(277)
Other expense, net	(31)	(93)	(204)	(178)
Loss before income taxes	(2,748)	(3,620)	(10,007)	(12,641)
Provision for income taxes	84	197	142	294
Net loss	\$ (2,832)	\$ (3,817)	\$ (10,149)	\$ (12,935)
Net loss per share, basic and diluted	\$ (0.05)	\$ (0.07)	\$ (0.19)	\$ (0.24)
Weighted-average shares used in computing net loss per share, basic and diluted	54,828,749	53,175,684	54,582,129	52,808,412

(1) Includes stock-based compensation as follows:

Cost of revenue	\$ 256	\$ 276	\$ 502	\$ 547
Research and development	968	1,065	2,014	1,753
Sales and marketing	1,110	1,501	2,107	2,795
General and administrative	1,250	1,602	2,632	2,902
Total stock-based compensation	\$ 3,584	\$ 4,444	\$ 7,255	\$ 7,997

See notes to condensed consolidated financial statements.

* The Company has adjusted certain amounts for the retrospective change in accounting policy for revenue recognition (See Note 1).

AEROHIVE NETWORKS, INC.
Condensed Consolidated Statements of Comprehensive Loss
(unaudited, in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
		(As Adjusted)*		(As Adjusted)*
Net loss	\$ (2,832)	\$ (3,817)	\$ (10,149)	\$ (12,935)
Unrealized gain (loss) on available-for-sale investments, net of tax	25	(1)	(14)	(7)
Comprehensive loss	\$ (2,807)	\$ (3,818)	\$ (10,163)	\$ (12,942)

See notes to condensed consolidated financial statements.

* The Company has adjusted certain amounts have been adjusted for the retrospective change in accounting policy for revenue recognition (See Note 1).

AEROHIVE NETWORKS, INC.
Condensed Consolidated Statements of Cash Flows
(unaudited, in thousands)

	Six Months Ended June 30,	
	2018	2017
Cash flows from operating activities		(As Adjusted)*
Net loss	\$ (10,149)	\$ (12,935)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	1,493	1,631
Stock-based compensation	7,255	7,997
Other	(274)	(30)
Changes in operating assets and liabilities:		
Accounts receivable, net	475	3,261
Inventories	2,261	(2,353)
Prepaid expenses and other current assets	(293)	(967)
Other assets	(370)	(225)
Accounts payable	(105)	4,105
Accrued liabilities	478	(289)
Other liabilities	12	53
Deferred revenue	4,267	2,128
Net cash provided by operating activities	5,050	2,376
Cash flows from investing activities		
Purchases of property and equipment	(1,439)	(466)
Maturities of short-term investments	38,651	18,600
Purchases of short-term investments	(33,360)	(21,782)
Net cash provided by (used in) investing activities	3,852	(3,648)
Cash flows from financing activities		
Proceeds from employee stock option exercises and employee stock purchase plan	1,612	3,099
Payment for shares withheld for tax withholdings on vesting of restricted stock units	(1,673)	(451)
Payment to repurchase common stock	(1,023)	(1,020)
Payment on capital lease obligations	(94)	(83)
Net cash provided by (used in) financing activities	(1,178)	1,545
Net increase in cash and cash equivalents	7,724	273
Cash and cash equivalents at beginning of period	27,249	34,346
Cash and cash equivalents at end of period	\$ 34,973	\$ 34,619
Supplemental disclosure of cash flow information		
Income taxes paid	\$ 47	\$ 175
Interest paid	\$ 355	\$ 267
Supplemental disclosure of noncash investing and financing activities		
Unpaid property and equipment purchases	\$ 620	\$ —

See notes to condensed consolidated financial statements.

* The Company has adjusted certain amounts for the retrospective change in accounting policy for revenue recognition.
(See Note 1).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Aerohive Networks, Inc. was incorporated in Delaware on March 15, 2006, and, together with its subsidiaries (the "Company"), has designed and developed a leading cloud and enterprise Wi-Fi solution that enables the Company's customers to use the power of the Wi-Fi, cloud, analytics and applications to transform how they serve their customers. The Company's products include Wi-Fi access points, access switches and SD-WAN-capable routers required to build an edge-access network; a cloud-based services platform for centralized management; data collection and analytics; and applications that leverage the network to provide additional capabilities to the business and IT organizations. Together, these products, service platforms and applications create a simple, scalable, and secure solution to deliver a better-connected experience.

The Company has offices in North America, Europe and Asia Pacific and employs staff around the world.

Basis of Presentation and Consolidation

The Company prepared the accompanying consolidated financial statements in accordance with generally accepted accounting principles in the United States (GAAP), which include the accounts of Aerohive Networks, Inc. and its wholly owned subsidiaries. The Company has eliminated all intercompany accounts and transactions in consolidation.

Use of Estimates

When preparing the accompanying consolidated financial statements in conformity with GAAP, management makes estimates and assumptions that affect the amounts the Company reports in the consolidated financial statements and accompanying notes. Those estimates and assumptions include, among others, the determination of a standalone selling price (SSP) of the product, software and related support and subscriptions, determination of fair value of stock-based awards, inventory valuation, accounting for income taxes, including the valuation reserve on deferred tax assets and uncertain tax positions, allowance for sales reserves, allowance for rebate reserves, allowance for doubtful accounts, and warranty costs. Management evaluates estimates and assumptions on an ongoing basis using historical experience and other factors and adjusts those estimates and assumptions when facts and circumstances dictate. As the Company cannot determine future events and their effects with precision, actual results could differ from these estimates and assumptions, and those differences could be material to the consolidated financial statements.

Foreign Currency

The functional currency of the Company's foreign subsidiaries is the U.S. dollar. The Company remeasures the transactions denominated in currencies other than the functional currency at the average exchange rate in effect during the period. At the end of each reporting period, the Company remeasures its subsidiaries' monetary assets and liabilities to the U.S. dollar using exchange rates in effect at the end of the reporting period. The Company remeasures its non-monetary assets and liabilities at historical exchange rates. The Company records gains and losses related to remeasurement in other income (expense), net in the consolidated statements of operations. Foreign currency exchange losses have not been significant in any period presented and the Company has not undertaken any hedging transactions related to foreign currency exposure.

Recently Adopted Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from contracts with customers (Topic 606)*, which supersedes the revenue recognition requirements in *Revenue Recognition (Topic 605)* and most industry-specific guidance. This standard requires entities to recognize revenue when they transfer promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. In August 2015, the FASB issued ASU 2015-14 deferring the effective date of this standard by one year to December 15, 2017. In the first quarter of 2018, the Company adopted ASC 606, using the full retrospective method, which required the Company to restate its historical financial information to be consistent with the standard. The most significant impact of the standard related to the way the Company accounts for arrangements with its stocking distributors. The Company previously deferred the recognition of revenue and the cost of revenue from sales to these stocking distributors until the stocking distributors had sold the products to their customers (known as "sell-through" revenue recognition). Under the new standard, the Company recognizes all revenue and related cost of revenue on sales to stocking distributors upon shipment and transfer of control (known as "sell-in" revenue

recognition), rather than deferring recognition until the stocking distributors report that they have sold the products to their customers, provided that all other revenue recognition criteria have been met. The Company also attributes the impact to its revenue and deferred revenue balance to the removal of the limitation on contingent revenue, which accelerates revenue recognition for certain contracts. Further, the adoption of this standard also resulted in differences in the timing of recognition of contract costs, such as sales commissions.

The Company has finalized the adoption of the standard and product revenue was \$113.1 million and \$134.6 million for fiscal years ended December 31, 2017 and 2016, respectively, and subscription and support revenue was \$40.4 million and \$33.3 million for fiscal years ended December 31, 2017 and 2016, respectively. The adoption of the standard resulted in a decrease in total deferred revenue of \$3.3 million as of December 31, 2017, driven by the Company's recognition in the period of revenue related to stocking distributors upon shipment and also the removal of the limitation on contingent revenue accelerating revenue recognition for certain contracts. The adoption of the standard resulted in a decrease of \$0.3 million in capitalized contract costs as of December 31, 2017. The adoption of this standard did not have a significant impact on the revenue or the related costs and sales commission for the three and six months ended June 30, 2017. In addition, the adoption of the standard had no significant impact on the provision for income taxes and the net cash provided by (used in) operating, investing, or financing activities on the Company's consolidated statements of cash flows.

ASC 606 Adoption Impact to Previously Reported Results

The following tables present the impacts to reported results from the Company's adoption of the standard on the Company's condensed consolidated balance sheets and condensed consolidated statements of operations.

Consolidated Balance Sheet (in thousands)

	As of December 31, 2017		
	As Reported	Impact of Adoption	As Adjusted
Prepaid expenses and other current assets	\$ 6,513	\$ (117)	\$ 6,396
Total current assets	122,594	(117)	122,477
Other assets	5,124	(224)	4,900
Total assets	134,612	(341)	134,271
Deferred revenue, current	34,281	(1,002)	33,279
Total current liabilities	54,829	(1,002)	53,827
Deferred revenue, non-current	36,083	(2,322)	33,761
Total liabilities	112,681	(3,324)	109,357
Accumulated deficit	(250,406)	2,983	(247,423)
Total stockholders' equity	21,931	2,983	24,914
Total liabilities and stockholders' equity	\$ 134,612	\$ (341)	\$ 134,271

Consolidated Statements of Operations (in thousands, except per share amounts)

	Three Months Ended June 30, 2017		
	As Reported	Impact of Adoption	As Adjusted
Product revenue	\$ 32,046	\$ 59	\$ 32,105
Subscription and support	10,254	(158)	10,096
Total Revenue	42,300	(99)	42,201
Cost of revenue - Product	10,616	(146)	10,470
Total cost of revenue	13,769	(146)	13,623
Gross profit	28,531	47	28,578
Sales and marketing	17,420	(9)	17,411
Total operating expenses	32,131	(9)	32,122
Operating loss	(3,600)	56	(3,544)
Net loss	\$ (3,873)	\$ 56	\$ (3,817)
Net loss per share, basic and diluted	\$ (0.07)	\$ —	\$ (0.07)

	Six Months Ended June 30, 2017		
	As Reported	Impact of Adoption	As Adjusted
Product revenue	\$ 58,916	156	59,072
Subscription and support	19,735	(277)	19,458
Total Revenue	78,651	(121)	78,530
Cost of revenue - Product	19,352	(67)	19,285
Total cost of revenue	25,681	(67)	25,614
Gross profit	52,970	(54)	52,916
Sales and marketing	34,859	(11)	34,848
Total operating expenses	65,417	(11)	65,406
Operating loss	(12,447)	(43)	(12,490)
Net loss	\$ (12,892)	\$ (43)	\$ (12,935)
Net loss per share, basic and diluted	\$ (0.24)	\$ —	\$ (0.24)

Effect on certain items in the Statement of Cash Flows (operating activities, in thousands)

	Six Months Ended June 30, 2017		
	As Reported	Impact of Adoption	As Adjusted
Cash flows from operating activities:			
Net loss:	\$ (12,892)	\$ (43)	\$ (12,935)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Prepaid expenses and other current assets	(839)	(128)	(967)
Other assets	(275)	50	(225)
Deferred revenue	2,007	121	2,128

Revenues by geographic location, based on the billing address of the respective channel partner's bill-to location, which reflect the adoption of ASC 606, are as follows: (in thousands)

	Three Months Ended June 30, 2017		
	As Reported	Impact of Adoption	As Adjusted
Americas	\$ 29,141	\$ 240	\$ 29,381
Europe, Middle East and Africa	10,397	295	10,692
Asia Pacific	2,762	(634)	2,128
Total revenues	\$ 42,300	\$ (99)	\$ 42,201

	Six Months Ended June 30, 2017		
	As Reported	Impact of Adoption	As Adjusted
Americas	\$ 53,059	\$ 218	\$ 53,277
Europe, Middle East and Africa	20,230	295	20,525
Asia Pacific	5,362	(634)	4,728
Total revenues	\$ 78,651	\$ (121)	\$ 78,530

Under ASC 606, the Company recognizes revenue as of the time of transfer of promised goods or services to customers in an amount that reflects the consideration the Company expects to be entitled to from those goods or services. As shown on the condensed consolidated statement of operations, the Company derives revenue from two sources: (i) product, which includes hardware and software revenue, and (ii) subscription and support, which includes post-contract customer support (PCS) and software delivered as a service (SaaS).

Beginning with its first quarter, fiscal year 2018, the Company follows the following five-step approach in recognizing revenue:

- *Identification of the contract, or contracts, with a customer* - A contract with a customer exists when (i) the Company enters into an enforceable contract with a customer that defines each party's rights regarding the goods or services to be transferred and identifies the payment terms related to these goods or services, (ii) the contract has commercial substance, and (iii) the Company determines that collection of substantially all consideration for goods or services that are transferred is probable based on the customer's intent and ability to pay the promised consideration. The Company applies judgment in determining the customer's ability and intention to pay, which the Company bases on a variety of factors, including the customer's historical payment experience or, in the case of a new customer, published credit and financial information pertaining to the customer.
- *Identification of the performance obligations in the contract* - The Company identifies performance obligations promised in a contract based on the goods or services that the Company will transfer to the customer that are both capable of being distinct, whereby the customer can benefit from the goods or services either on its own or together with other resources that are readily available from third parties or from us, and are distinct in the context of the contract, whereby the transfer of the goods or services is separately identifiable from other promises in the contract. To the extent a contract includes multiple promised goods or services, the Company applies judgment to determine whether promised goods or services are capable of being distinct and distinct in the context of the contract.
- *Determination of the transaction price* - The Company determines the transaction price based on the consideration to which the Company will be entitled in exchange for transferring goods or services to the customer.
- *Allocation of the transaction price to the performance obligations in the contract* - If the contract contains a single performance obligation, the Company allocates the entire transaction price to the single performance obligation. The Company allocates the transaction price of contracts that contain multiple performance obligations to each performance obligation based on a relative SSP. The Company determines SSP based on the price at which the performance obligation is sold separately. If the Company cannot observe SSP through past transactions, the Company estimates SSP by taking

into account available information such as market conditions and internally approved pricing guidelines related to the performance obligations.

- *Recognition of revenue when, or as, the Company satisfies a performance obligation* - The Company satisfies performance obligations either over time or at a point in time as discussed in further detail below. The Company recognizes revenue at the time the related performance obligation is satisfied by transferring a promised good or service to a customer.

Revenue Recognition

The Company's product revenue consists of sales to distributors, and value-added resellers, or VARs and an OEM partner. The Company considers purchase orders such as distributors, VARs and OEM partner issue to the Company, which are in some cases governed by master sales agreements, to be the Company's contracts with such customers, as such documents provide enforceable rights and obligations between the Company and distributor, VAR or OEM partner. As part of its consideration of the contract, the Company evaluates certain factors, including the customer's ability to pay (or credit risk). For each contract, the Company considers the promise to transfer goods or services to be the identified performance obligation. In determining the transaction price, the Company evaluates whether the price is subject to refund or adjustment to determine the net consideration to which the Company expects to be entitled. The Company allocates the transaction price to each distinct performance obligation based on a relative standalone selling price. The Company recognizes revenue when control of the product or service is transferred to the customer (i.e., when the performance obligation is satisfied). Further, in determining whether control has transferred, the Company considers if there is a present right to payment and legal title, along with risks and rewards of ownership has transferred to the customer.

The Company makes sales of products to most distributors under terms allowing certain price adjustments and limited rights of return (known as "stock rotation") of the Company's products held in their inventory. The Company recognizes revenue from sales to distributors upon the transfer of control of the product to the distributor. Frequently, distributors need to sell product at a discounted price lower than the standard distribution price in order to win business. After the Company verifies that the distributor had obtained the Company's pre-approval for the discount claim, the Company may issue a credit memo to the distributor representing a rebate of the amount of the discount. In determining the transaction price, the Company considers these price adjustments to be variable consideration. The Company estimates such price adjustments using the expected-value method based on an analysis of actual credit claims at the distributor level, over a period of time the Company considers adequate to account for current pricing and business trends. Historically, actual price adjustments relative to those the Company estimates and includes when determining the transaction price have not materially differed. Stock rotation rights provide distributor with the ability to return certain specified amounts of inventory. Stock rotation adjustments are an additional form of variable consideration which the Company also estimates using the expected-value method based on historical return rates. Historically, distributor stock rotation adjustments have not been material.

The Company makes sales to certain distributors, VARs and its OEM partner under terms that do not include rights of return or price concessions after the product is shipped. Accordingly, upon application of steps one through five above, the Company recognizes product revenue upon shipment and transfer of control.

The Company generally provides a limited lifetime warranty that its products will substantially conform to the published specifications. The Company limits its liability to either a credit equal to the purchase price or replacement of the defective part. The Company does not consider activities related to such warranty a separate performance obligation.

Payment terms and conditions vary by contract, although terms generally include a requirement of payment within 30 to 90 days. In instances where the timing of the Company's revenue recognition differs from the timing of its invoicing, the Company has determined that its contracts generally do not include a significant financing component. The primary purpose of the Company's invoicing terms is to provide customers with simplified and predictable ways of purchasing the Company's products and services, not for the Company's customers to provide financing or for the Company to provide customers with financing.

The Company records accounts receivable at the invoiced amount, net of an allowance for doubtful accounts. The Company recognizes a receivable in the period the Company delivers goods or provide services or when the Company's right to consideration is unconditional.

Significant Judgments

The Company's contracts with customers often include promises to transfer multiple products and services to a customer. The Company may exercise significant judgment when determining whether products and services are considered

distinct performance obligations that should be accounted for separately versus together. The Company may also exercise judgment to determine whether the software license is considered distinct and accounted for separately, or not distinct and accounted for together with the hardware and recognized upon transfer of control.

The Company may further require judgment to determine the SSP for each distinct performance obligation. The Company determines SSP for the purposes of allocating the arrangement, primarily based on historical transaction pricing. The Company segregates historical transactions based on its pricing model and go-to-market strategy, which includes factors such as type of sales channel (VAR, OEM or distributor), the geographies in which the Company sells its products and services (domestic or international) and offering type (product series, software subscriptions and level of support for PCS).

Disaggregation of Revenue

Product Revenue - The Company's product revenue consists of revenue from the sale of the Company's hardware products, which each contain embedded HiveOS software, the Company's proprietary operating system that is not considered to be distinct in the context of the contract. Therefore, the Company considers its hardware appliances together with related embedded HiveOS software (collectively, the "hardware") as a single performance obligation. The Company transfers these items to the customer concurrently. The Company recognizes hardware revenue upon transfer of control to its customers, which occurs upon shipment. The Company's product revenue includes the sales of software licenses of HiveManager, a license-based unified networking management system, which consists of the purchase of a perpetual license of the HiveManager software. The Company generally recognizes revenue from its software licenses upon transfer of control to its customers.

Subscription and Support Revenue - The Company's subscription and support revenue consists of revenue from SaaS and PCS arrangements. SaaS arrangements with customers do not provide the right to take possession of the software at any time during the hosting period and have a defined contract term. PCS arrangements include software updates, access to technical support personnel, and expedited replacement of defective hardware products. Each of the promised services is distinct in the context of the contract as the services are not inputs to a combined output for which the Company provides any significant integration service, the provision of each service does not significantly modify or customize the other, and the Company could provide each service independently of the other. Though the Company has identified that each of the performance obligations is distinct, as each of the performance obligations represents a series of distinct services that has the same pattern of transfer (stand ready obligations) and the same measure of progress of transfer (days of service) the Company will account for the all series as a single performance obligation. The Company recognizes revenue from SaaS and PCS arrangements on a straight-line basis over the service contract term, which is typically one, three or five years. The contract term typically commences upon transfer of control of the corresponding products to our customer.

See the condensed consolidated statement of operations for the Company's product revenue and subscription and support revenue amounts for the three and six months ended June 30, 2018 and 2017, respectively.

Costs to Obtain and Fulfill a Contract

The Company capitalizes certain contract acquisition costs consisting primarily of commissions paid and the related payroll taxes when customer contracts are signed. The Company capitalizes commission expenses earned by sales personnel and the related payroll taxes that are incremental to obtaining customer contracts. The Company amortizes deferred sales commission amounts based on the expected future revenue streams under the customer contracts. The Company includes amortization of deferred sales commissions in sales and marketing expense in the accompanying consolidated statements of operations. The Company classifies deferred commissions as current or non-current based on the timing of when the Company expects to recognize the expense. The Company periodically reviews these costs for impairment.

The Company records deferred revenue when it invoices the customer, collection is probable, and the associated revenue has not yet been earned. The current portion of deferred revenue represents the amounts the Company expects to be recognized as revenue within one year of the condensed consolidated balance sheet date. See Note 3, Consolidated Balance Sheet Components, for the changes in the deferred revenue and deferred commissions during the three and six months ended June 30, 2018 and 2017, respectively.

Contracted-but-not-recognized revenue

The Company's contracted but not invoiced performance obligations do not include the option for its customers to cancel. The Company's revenue allocated to remaining performance obligations represents contracted revenue that the Company has not yet recognized ("contracted not recognized"), which includes deferred revenue and non-cancelable amounts that the Company will invoice and recognize as revenue in future periods. Contracted-but-not-recognized revenue was \$76.2

million as of June 30, 2018, of which the Company expects to recognize approximately 53% over the next 12 months and the remainder thereafter.

Other Recently Adopted Accounting Pronouncements

In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*, which provides guidance for the recognition, measurement, presentation, and disclosure of financial assets and liabilities. In February 2018, the FASB issued ASU No. 2018-03, *Technical Corrections and Improvements to Financial Instruments*, to clarify certain aspects of ASU No. 2016-01. We adopted these standards effective January 1, 2018. The Company's adoption of these standards did not have a material impact on the Company's financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows - Classification of Certain Cash Receipts and Cash Payments*, which provides guidance to decrease the diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The standard is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. The Company adopted ASU 2016-15 in the first quarter of 2018. The Company's adoption of this standard did not have a material impact on the Company's financial statements.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes the lease accounting requirements in Topic 840. This standard requires a dual approach for lessee accounting under which a lessee would account for leases as finance leases or operating leases. Both finance leases and operating leases will result in the lessee recognizing a right-of-use asset and a corresponding lease liability. For finance leases, the lessee would recognize interest expense and amortization of the right-of-use asset, and for operating leases, the lessee would recognize a straight-line total lease expense. The standard also requires qualitative and quantitative disclosures to supplement the amounts recorded in the financial statements so that users can understand more about the nature of an entity's leasing activities, including the Company's significant judgments and changes in judgments. This standard is effective beginning in fiscal year 2019. The Company is currently evaluating the potential impact of this standard on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, *Simplifying the Test for Goodwill Impairment*, which removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. An impairment charge will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. The standard is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. The Company plans to adopt this standard in 2021 when it becomes effective.

Concentrations of Credit Risk and Significant Customers

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, short-term investments and accounts receivable. The Company maintains cash equivalents in money market funds. The Company maintains short-term investments in U.S. treasuries, corporate securities, and commercial paper.

The Company sells its products primarily to channel partners, which include value-added resellers, or VARs, distributors, managed service providers, or MSPs, and original equipment manufacturers, or OEMs. The Company's accounts receivable are typically unsecured and are derived from revenue earned from customers located in the Americas, Europe, the Middle East and Africa, and Asia Pacific. The Company performs ongoing credit evaluations to determine customer credit, but generally does not require collateral from its customers. The Company maintains reserves for estimated credit losses and these losses have historically been within management's expectations.

The Company has entered into separate agreements with certain individual distributors that are part of a consolidated group of entities which collectively constitutes greater than 10% of the Company's total revenue or gross accounts receivable balance for certain periods, as presented in the tables below.

The percentages of revenue from a consolidated group of entities (Distributor A and Distributor B) greater than 10% of total consolidated revenue were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017 (As Adjusted)	2018	2017 (As Adjusted)
Distributor A	14.8%	13.9%	16.0%	14.5%
Distributor B	39.7%	18.1%	37.5%	18.7%

The percentages of receivables from Distributor A and Distributor B greater than 10% of total consolidated accounts receivable were as follows:

	June 30, 2018	December 31, 2017
Distributor A	21.4%	27.9%
Distributor B	22.4%	29.4%

2. FAIR VALUE MEASUREMENTS

The Company records its financial assets and liabilities at fair value. The Company categorizes these assets and liabilities based upon the level of judgment associated with inputs the Company uses to measure the fair value. The categories are as follows:

Level 1	Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities.
Level 2	Observable prices that are based on inputs not quoted on active markets, but corroborated by market data.
Level 3	Unobservable inputs are used when little or no market data is available.

The Company classified its cash equivalents and short-term marketable investments within Level 1 and Level 2 in the fair value hierarchy as of June 30, 2018 and December 31, 2017, respectively. Level 1 assets include highly liquid money market funds that the Company includes in cash equivalents. The Company classifies these instruments within Level 1 of the fair value hierarchy because they are valued based on quoted market prices in active markets. Level 2 assets include U.S. treasuries, corporate securities, agency securities and commercial paper. The Company classifies these instruments within Level 2 of the fair value hierarchy because they are valued based on pricing obtained from an independent pricing service, which may use quoted market prices for identical or comparable instruments or model driven valuations using observable market data or inputs corroborated by observable market data. The Company classifies these instruments as short-term investments unless their maturities are three months or less when purchased, in which case the Company includes them in cash and cash equivalents. The Company uses inputs such as actual trade data, benchmark yields, broker/dealer quotes or alternative pricing sources with reasonable levels of price transparency, which the Company obtains from quoted market prices, independent pricing vendors, or other sources, to determine the ultimate fair value of these assets.

The components of the Company's Level 1 and Level 2 assets are as follows:

	June 30, 2018				
	Amortized Cost	Gross Unrealized Gain (Loss)	Estimated Fair Value	Cash equivalents	Short-term investments
	(in thousands)				
Level 1:					
Money market funds	11,088	—	11,088	11,088	—
	\$ 11,088	\$ —	\$ 11,088	\$ 11,088	\$ —
Level 2:					
U.S. treasuries	9,438	(12)	9,426	—	9,426
Corporate securities	15,890	(32)	15,858	—	15,858
Commercial paper	29,355	—	29,355	1,995	27,360
	\$ 54,683	\$ (44)	\$ 54,639	\$ 1,995	\$ 52,644
Total	\$ 65,771	\$ (44)	\$ 65,727	\$ 13,083	\$ 52,644

	December 31, 2017				
	Amortized Cost	Gross Unrealized Gain (Loss)	Estimated Fair Value	Cash equivalents	Short-term investments
	(in thousands)				
Level 1:					
Money market funds	7,538	—	7,538	7,538	—
	\$ 7,538	\$ —	\$ 7,538	\$ 7,538	\$ —
Level 2:					
U.S. treasuries	9,480	(3)	9,477	—	9,477
Corporate securities	15,293	(27)	15,266	—	15,266
Commercial paper	32,932	—	32,932	—	32,932
	\$ 57,705	\$ (30)	\$ 57,675	\$ —	\$ 57,675
Total	\$ 65,243	\$ (30)	\$ 65,213	\$ 7,538	\$ 57,675

All short-term investments the Company held as of June 30, 2018 and December 31, 2017 contractually mature within one year from these respective dates.

Unrealized gains and losses related to these investments are due to interest rate fluctuations as opposed to credit quality. In addition, the Company does not intend to sell, and it is not more likely than not that the Company would be required to sell, these investments before recovery of their cost basis. As a result, there was no other-than-temporary impairment for these investments as of June 30, 2018 and December 31, 2017.

3. CONSOLIDATED BALANCE SHEET COMPONENTS

Prepaid expenses and other current assets

Prepaid expenses and other current assets consist of the following:

	June 30, 2018	December 31, 2017 (As Adjusted)
	(in thousands)	
Deferred sales commissions, current portion	\$ 3,279	\$ 3,072
Prepaid expenses	2,808	2,543
Other	602	781
Total prepaid expenses and other current assets	\$ 6,689	\$ 6,396

Property and Equipment, net

Property and equipment, net consists of the following:

	Estimated Useful Lives	June 30, 2018	December 31, 2017
		(in thousands)	
Computer and other equipment	3 years	\$ 1,731	\$ 1,713
Manufacturing, research and development laboratory equipment	3 years	5,503	4,630
Software	2 to 5 years	9,230	8,182
Office furniture and equipment	3 to 7 years	2,061	2,061
Leasehold improvements	shorter of useful life or lease term	1,035	1,017
Property and equipment, gross		19,560	17,603
Less: Accumulated depreciation and amortization		(12,679)	(11,222)
Property and equipment, net		\$ 6,881	\$ 6,381

The software category includes the capitalized software for the Company's cloud service platform. The Company amortizes these capitalized costs to cost of subscription and support revenue on a straight-line basis over an estimated useful life of the software of five years.

Depreciation and amortization expense was \$0.8 million and \$0.8 million for the three months ended June 30, 2018 and 2017, respectively, and \$1.5 million and \$1.6 million for the six months ended June 30, 2018 and 2017, respectively.

Office furniture and equipment classified under capital lease was \$1.2 million at June 30, 2018 and December 31, 2017 respectively, and the related accumulated depreciation was \$0.5 million and \$0.4 million at June 30, 2018 and December 31, 2017, respectively.

Other assets

Other assets consist of the following:

	<u>June 30,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
		<u>(As Adjusted)</u>
	<u>(in thousands)</u>	
Deferred sales commissions, non-current portion	\$ 3,196	\$ 2,947
Investment in privately held company	1,500	1,500
Other	574	453
Total other assets	<u>\$ 5,270</u>	<u>\$ 4,900</u>

Deferred Commission

The current portion of deferred commission represents the amounts that the Company expects to be recognized as commission expense within one year of the consolidated balance sheet date. Significant changes in the balance of total deferred commission (contract asset) during the three and six months ended June 30, 2018 and 2017 are as follows:

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	<u>(As Adjusted)</u>		<u>(As Adjusted)</u>	
	<u>(in thousands)</u>		<u>(in thousands)</u>	
Beginning balance	\$ 6,085	\$ 5,958	\$ 6,019	\$ 5,766
Recognized	(3,749)	(4,069)	(6,767)	(7,293)
Additions	4,139	4,460	7,223	7,876
Total Deferred Commission	<u>\$ 6,475</u>	<u>\$ 6,349</u>	<u>\$ 6,475</u>	<u>\$ 6,349</u>
Current portion	<u>\$ 3,279</u>	<u>\$ 3,173</u>	<u>\$ 3,279</u>	<u>\$ 3,173</u>
Non-current portion	<u>\$ 3,196</u>	<u>\$ 3,176</u>	<u>\$ 3,196</u>	<u>\$ 3,176</u>

Of the \$6.5 million total deferred commission balance as of June 30, 2018, the Company expects to recognize approximately 51% as commission expense over the next 12 months and the remainder thereafter.

In January 2016, the Company paid \$1.5 million in cash to purchase a convertible note issued by a privately held company, which provides Wi-Fi application and analytics. In June 2017, the convertible note and accrued interest on the note converted into shares of preferred stock of the privately held company and the note was canceled. The accrued interest on the note was immaterial. The Company currently has no significant voting rights, investor rights or influence over the privately held company. Since the investment has no readily determinable market value, the Company elected the measurement alternative. As of June 30, 2018, the Company carried the investment at the value of original principal and the Company reviews such carried value quarterly for indicators of fair value changes when there are observable prices less any potential impairment. The Company did not recognize a change in value or impairment for the three months ended June 30, 2018 and 2017, as there were no identified events or changes in circumstances that might have a significant impact on the carrying value. The Company has classified the investment as other assets on the condensed consolidated balance sheet.

Accrued Liabilities

Accrued liabilities consist of the following:

	June 30, 2018	December 31, 2017
	(in thousands)	
Accrued compensation	\$ 7,806	\$ 6,971
Accrued expenses and other liabilities	1,060	1,385
Warranty liability, current portion	214	246
Total accrued liabilities	<u>\$ 9,080</u>	<u>\$ 8,602</u>

Deferred Revenue

The current portion of deferred revenue represents the amounts that the Company expects to recognize as revenue within one year of the consolidated balance sheet date. Significant changes in the balance of total deferred revenue (contract liability) during the three and six months ended June 30, 2018 and 2017 are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(As Adjusted)		(As Adjusted)	
	(in thousands)		(in thousands)	
Beginning balance	\$ 67,878	\$ 62,264	\$ 67,040	\$ 63,239
Recognized	(11,207)	(10,096)	(21,908)	(19,458)
Additions	14,636	13,201	26,175	21,588
Total Deferred Revenue	<u>\$ 71,307</u>	<u>\$ 65,369</u>	<u>\$ 71,307</u>	<u>\$ 65,369</u>
Current portion	<u>\$ 35,393</u>	<u>\$ 32,053</u>	<u>\$ 35,393</u>	<u>\$ 32,053</u>
Non-current portion	<u>\$ 35,914</u>	<u>\$ 33,316</u>	<u>\$ 35,914</u>	<u>\$ 33,316</u>

Of the \$71.3 million total deferred revenue balance as of June 30, 2018, the Company expects to recognize approximately 50% as revenue over the next 12 months and the remainder thereafter.

Warranty Liability

The following table summarizes the activity related to the Company's accrued liability for estimated future warranty:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(in thousands)			
Beginning balance	\$ 546	\$ 857	\$ 577	\$ 975
Charges to operations	148	230	274	351
Obligations fulfilled	(154)	(142)	(307)	(339)
Changes in existing warranty	—	(15)	(4)	(57)
Total product warranties	<u>\$ 540</u>	<u>\$ 930</u>	<u>\$ 540</u>	<u>\$ 930</u>
Current portion	<u>\$ 214</u>	<u>\$ 575</u>	<u>\$ 214</u>	<u>\$ 575</u>
Non-current portion	<u>\$ 326</u>	<u>\$ 355</u>	<u>\$ 326</u>	<u>\$ 355</u>

Changes in existing warranty reflect a combination of changes in expected warranty claims and changes in the related costs to service such claims.

4. DEBT

Financing Agreements

In June 2012, the Company entered into a revolving credit facility with Silicon Valley Bank (the "Revolving Credit Facility"). The Revolving Credit Facility is collateralized by substantially all of the Company's property, other than intellectual property. Since January 1, 2016, the Revolving Credit Facility bears interest rate at the lesser of (i) LIBOR rate plus 1.75% or (ii) prime rate minus 1.0%. In March 2017, the Company further amended the Revolving Credit Facility to extend the maturity date by two years and reduce the minimum cash requirements. The weighted-average interest rate of the Revolving Credit Facility was 3.68% and 2.90% for the three months ended June 30, 2018 and 2017, respectively, and 3.48% and 2.74% for the six months ended June 30, 2018 and 2017, respectively.

The Revolving Credit Facility contains customary negative covenants which, unless waived by the bank, limit the Company's ability to, among other things, incur additional indebtedness, grant liens, make investments, repurchase stock, pay dividends, transfer assets or engage in merger and acquisition activity, including merge or consolidate with a third party. The Revolving Credit Facility also requires the Company to maintain a minimum adjusted quick ratio of 1.25 to 1.00 and a minimum cash balance with the bank as of the last day of each month of \$35.0 million and to demonstrate the absence of defined events of default in order to assure full access to the available borrowing. The Revolving Credit Facility also contains customary events of default, subject to customary cure periods for certain defaults, that include, among other things, non-payment defaults, covenant defaults, material judgment defaults, bankruptcy and insolvency defaults, cross-defaults to certain other material indebtedness, and defaults due to inaccuracy of representation and warranties. Upon an event of default, the lender may declare all or a portion of the outstanding obligations payable by the Company to be immediately due and payable and exercise other rights and remedies provided for under the Revolving Credit Facility. During the existence of an event of default, interest on the obligations under the Revolving Credit Facility could be increased by 5.0%. As of June 30, 2018, the Company was in compliance with these covenants.

The Revolving Credit facility currently provides, among other things (i) a maturity date of March 31, 2019; and (ii) a revolving line up to \$20.0 million, subject to certain conditions.

As of June 30, 2018, \$20.0 million remains outstanding under the Revolving Credit Facility, and the Company classifies this amount as a current liability in the condensed consolidated balance sheet.

5. COMMITMENTS AND CONTINGENCIES

Lease Commitments

The Company currently leases its main office facility in Milpitas, California, which lease is set to expire in June 2023. In addition, the Company leases office space for its subsidiaries in the United Kingdom, the Netherlands, Korea and China under non-cancelable operating leases that expire at various times through September 2022. The Company has also entered into various lease agreements in other locations in the United States and globally to support its sales and research and development functions.

The Company recognizes rent expense on a straight-line basis over the respective lease period. Future minimum lease payments by year under operating leases as of June 30, 2018 are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
	<u>(in thousands)</u>
2018 (remaining six months)	\$ 922
2019	1,592
2020	1,103
2021	1,090
2022	999
Thereafter	445
Total	\$ 6,151

Rent expense was \$0.5 million for the three months ended June 30, 2018 and 2017, respectively, and was \$1.0 million for the six months ended June 30, 2018 and 2017, respectively.

Capital Lease Obligations

The Company has certain office furniture and equipment that it classifies under capital leases. The terms of the capital leases range from three years to seven years. The interest expense is immaterial in any particular period. Future minimum lease payments by year under capital lease obligations as of June 30, 2018 are as follows:

Year Ending December 31,	Amount
	(in thousands)
2018 (remaining six months)	\$ 91
2019	178
2020	172
2021	170
2022	162
Thereafter	83
Total	<u>\$ 856</u>

Manufacturing Commitments

The Company subcontracts with manufacturing companies to manufacture its hardware. The contract manufacturers procure components based on non-cancelable orders the Company places with them. If the Company cancels all or part of an order, the Company is liable to the contract manufacturers for the cost of the related components they purchased under such orders.

As of June 30, 2018 and December 31, 2017, the Company had manufacturing commitments with contract manufacturers for inventory totaling approximately \$5.6 million and \$6.0 million, respectively.

Contingencies

The Company may be subject to legal proceedings and litigation arising from time to time. The Company will record a liability when it believes that it is both probable that a loss has been incurred and the amount can be reasonably estimated. The Company expects periodically to evaluate developments in its legal matters that could affect the amount of liability that it has previously accrued, if any, and make adjustments as appropriate. The Company exercises significant judgment to determine both likelihood of there being, and the estimated amount of, a loss related to such matters, and the Company's judgment may be incorrect. The Company cannot reasonably determine in advance the outcome of any litigation proceeding. Until the final resolution of any such matter for which the Company may be required to accrue, the Company may have an exposure to loss in excess of the amount the Company has accrued, and such excess amount could be significant.

The Company is currently engaged in the following separate security litigations:

In January 2018, three purported class actions were filed in the United States District Court for the Northern District of California against the Company and two of its officers. The actions are McGovney v. Aerohive Networks, Inc., et al., Case No. 5:18-cv-00435, Beyerbach v. Aerohive Networks, Inc., et al., Case No. 5:18-cv-0544 and Panjabi v. Aerohive Networks, Inc., et al., Case No. 5:18-cv-00656. The complaints allege that the defendants made false and misleading statements, in particular regarding the Company's financial outlook for the fourth quarter of 2017. The complaints assert claims for violations of Sections 10(b) and 20(a) of the Exchange Act and SEC Rule 10b-5 on behalf of those who purchased the Company's common stock between November 1, 2017 and January 16, 2018, inclusive. The complaints seek monetary damages in an unspecified amount. On March 20, 2018, three shareholders filed respective motions to consolidate the three cases and to be appointed lead plaintiff for a class. The Company anticipates that these cases will be consolidated and that a court-appointed lead plaintiff will file a consolidated complaint later this year.

On March 26, 2018, a purported shareholder derivative complaint was filed in the California Superior Court for the County of Santa Clara against the Company's board of directors and two of its officers. The action is titled *Flores v. Flynn, et al.*, Case No. 18CV325517. The complaint alleges that the same general conduct alleged in the securities class actions also constituted a breach of fiduciary duty, waste of corporate assets, abuse of control, mismanagement, and unjust enrichment. The complaint seeks monetary damages in an unspecified amount, restitution, and certain changes to the Company's corporate governance and internal procedures. On July 9, 2018, pursuant to a stipulation between the parties, the Court stayed the case until the completion of the motion-to-dismiss stage of the federal class actions described above.

The outcomes of the legal proceedings are inherently unpredictable, subject to significant uncertainties, and could be material to the Company's operating results and cash flows for any particular period.

The Company intends to defend these lawsuits vigorously, and is not able to predict or estimate any range of reasonably possible loss related to these lawsuits. If these matters have an adverse outcome, they may have a material impact on the Company's financial position, results of operations or cash flows.

Guarantees

The Company typically enters into agreements with its customers that contain indemnification provisions in the event of claims alleging that the Company's products infringe the intellectual property rights of a third party. The Company has at its option and expense, the ability to resolve any infringement, replace product with a non-infringing product that is equivalent-in-function, or refund to the customers the total product price. These agreements also typically include guarantees of product and service performance. The Company has not recorded a liability related to these indemnification and guarantee provisions and the Company's indemnification and guarantee provisions have not had any impact on the consolidated financial statements to date.

6. STOCKHOLDERS' EQUITY

Common Stock reserved for Future Issuance

As of June 30, 2018, the Company had the following reserved shares of common stock for future issuance:

	June 30, 2018
Common stock reserved for future grant under the 2014 Equity Incentive Plan	8,737,969
Common stock reserved for future purchase under the 2014 Employee Stock Purchase Plan	1,680,335
Options and Restricted Stock Units issued and outstanding	9,401,668
Total reserved shares of common stock for future issuance	<u>19,819,972</u>

Stock Repurchase Program

In February 2016, the Company's board of directors authorized a stock repurchase program of up to \$10.0 million, with stock purchases made from time to time in compliance with applicable securities laws in the open market or in privately negotiated transactions. The timing and amounts of any purchases will be based on market conditions and other factors including price, regulatory requirements and capital availability. The authorization does not require the purchase of any minimum number of shares, and the Company may suspend, modify or discontinue the program at any time without prior notice. In August 2017, the Company's board of directors extended this program to June 30, 2018. In November 2017, the Company's board of directors increased the authorized amount under this program to \$20.0 million. In July 2018, the Company's board of directors extended this program through June 30, 2020.

During the three and six months ended June 30, 2018, the Company repurchased a total of 248,961 shares of its common stock on the open market at a total cost of \$1.0 million with an average price per share of \$4.11. During the three and six months ended June 30, 2017, the Company repurchased a total of 208,779 shares at a total cost of \$1.0 million with an average price per share of \$4.88. As of June 30, 2018, the Company had repurchased under this program 1,610,204 shares of its common stock at a total price \$7.2 million with an average purchase price \$4.50 per share of our common stock. Approximately \$12.8 million remains available to the Company as of June 30, 2018 for repurchases under this program.

7. STOCK-BASED COMPENSATION

2014 Equity Incentive Plan

On March 26, 2014, the Company's 2014 Equity Incentive Plan ("2014 Plan") became effective. On March 27, 2014, the Company terminated its earlier 2006 Global Share Plan ("2006 Plan"), added all reserved-but-unissued shares under the 2006 Plan to the 2014 Plan and rolled into the 2014 Plan all shares underlying stock awards granted under the 2006 Plan that otherwise would return to the 2006 Plan. The Company may not grant additional awards under the 2006 Plan, but the 2006 Plan will continue to govern outstanding awards previously granted under the 2006 Plan.

The 2014 Plan provides for the grant of incentive stock options within the meaning of Section 422 of the Internal Revenue Code, only to employees of the Company or any parent or subsidiary of the Company, and for the grant of nonstatutory stock options, restricted stock units, stock appreciation rights, performance units and performance shares to employees, directors and consultants of the Company, and the employees and consultants of any parent or subsidiary of the Company.

In January 2018, the Company effected an increase of 2,708,575 shares reserved under the 2014 Plan. As of June 30, 2018, the Company had 8,737,969 total shares of common stock reserved and available for grant under the 2014 Plan.

The following table summarizes the total number of shares available for grant under the 2014 Plan as of June 30, 2018:

	Shares Available for Grant
Balance, December 31, 2017	7,997,691
Authorized	2,708,575
Options granted	—
Options canceled	184,336
Awards granted	(3,018,557)
Awards canceled	865,924
Balance, June 30, 2018	8,737,969

Stock Options

The following table summarizes the information about outstanding stock option activity:

	Options Outstanding			
	Number of Shares Underlying Outstanding Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in thousands)
Balance, December 31, 2017	4,247,911	\$ 6.03	5.80	\$ 4,472
Options granted	—	—		
Options exercised	(13,525)	1.54		
Options canceled	(184,336)	6.27		
Balance, June 30, 2018	4,050,050	\$ 6.03	5.20	\$ 2,506
Options exercisable, June 30, 2018	3,635,238	\$ 5.97	4.96	\$ 2,506

There were no options granted during the three and six months ended June 30, 2018 and 2017.

The aggregate intrinsic value of stock options exercised during the three months ended June 30, 2018 and 2017 was \$0.01 million and \$0.8 million, respectively and during the six months ended June 30, 2018 was \$0.04 million and \$1.2 million, respectively. The intrinsic value for each share underlying an option represents the difference between the option exercise price per share and the closing stock price of a share of the Company's common stock. The total grant-date fair value of the options vested was \$0.4 million and \$0.9 million, respectively, during the three months ended June 30, 2018 and 2017, respectively, and \$1.0 million and \$1.9 million during the six months ended June 30, 2018 and 2017, respectively.

Restricted Stock Units

The Company currently grants Restricted Stock Units (RSUs) to certain employees and directors. The RSUs vest over a period of time, generally one to three years, and are subject to the participant's continuing service to the Company over that period. Until vested, RSUs do not have the voting and dividend participation rights of common stock and the shares underlying the awards are not considered issued and outstanding.

The following is a summary of the Company's RSU grant activity and related information for the three months ended June 30, 2018:

	Restricted Stock Units Outstanding	
	Shares	Weighted-Average Grant-Date Fair Value Per Share
Balance, December 31, 2017	4,089,067	\$ 6.47
Awards granted	3,018,557	4.14
Awards vested	(1,287,284)	5.28
Awards canceled	(468,722)	5.34
Balance, June 30, 2018	5,351,618	\$ 4.72

The weighted-average grant-date fair value of RSUs the Company granted during the three months ended June 30, 2018 and 2017 was \$4.12 and \$4.96 per share, respectively, and during the six months ended June 30, 2018 and 2017 was \$4.14 and \$4.97 per share, respectively. The aggregate grant-date fair value of RSUs the Company granted during the three months ended June 30, 2018 and 2017 was \$11.2 million and \$11.8 million, respectively, and during the six months ended June 30, 2018 and 2017 was \$12.5 million and \$15.9 million, respectively. The aggregate fair value of shares vested as of the respective vesting dates during the three months ended June 30, 2018 and 2017 was \$2.6 million and \$2.4 million, respectively, and during the six months ended June 30, 2018 and 2017 was \$6.8 million and \$4.6 million, respectively.

The number of RSUs vested during a particular period includes shares that the Company withheld during the period on behalf of certain employees to satisfy the minimum statutory tax withholding requirements, as determined by the Company. During the three months ended June 30, 2018 and 2017, the Company withheld 141,173 and 25,209 shares of stock, respectively, for an aggregate value of \$0.6 million and \$0.1 million, respectively. During the six months ended June 30, 2018 and 2017, the Company withheld 397,202 and 95,577 shares of stock, respectively, for an aggregate value of \$1.7 million and \$0.5 million, respectively. The Company returned such withheld shares to the 2014 Plan, which were then available under the plan terms for future issuance.

In the three months ended March 31, 2017, the Company granted 378,644 shares of RSUs as performance-based restricted stock units (PBRsUs) to certain executives pursuant to the 2014 Plan. Each PBRsU represents the right to receive one share of the Company's common stock upon vesting, subject to the Company's achievement of certain performance conditions. 251,037 of these PBRsU awards vested during the six months ended June 30, 2018. No additional PBRsU expected to vest during the remainder of the fiscal year 2018. The Company did not grant any PBRsUs during the three and six months ended June 30, 2018.

The Company granted 351,500 and 358,000 market-based restricted stock units (MBRSUs) to certain executives during the three months ended June 30, 2018 and 2017 respectively, pursuant to the 2014 Plan. Each MBRSU represents the right to receive one share of the Company's common stock upon vesting subject to the Company's achievement of certain stock price targets. The Company estimated the fair value of the MBRSUs using the Monte Carlo option-pricing model as of the date of grant as the MBRSUs contain both market and service conditions. The weighted-average grant-date fair value of these MBRSUs granted during the three months ended June 30, 2018 and 2017 was \$3.05 and \$4.18 per share, respectively. The Company records the total expense related to all of the MBRSUs on a graded-vesting method over the estimated term. 36,625 and 73,250 shares of these MBRSU awards vested during the three and six months ended June 30, 2018, respectively. Additional 73,250 MBRSUs are expected to vest during the remainder of the fiscal year 2018.

2014 Employee Stock Purchase Plan

The 2014 Employee Stock Purchase Plan ("ESPP") is a ten-year plan, effective in March 2014. The ESPP authorizes the Company to issue shares of common stock pursuant to purchase rights it grants to its employees and those of its designated subsidiaries. In January 2018, the Company effected an increase of 541,715 shares reserved under the ESPP. As of June 30, 2018, the Company had 1,680,335 total shares of common stock reserved and available for issuance under the ESPP.

Under the ESPP, the Company grants stock purchase rights to all eligible employees, currently covering a one-year offering period ending December 1, 2018, with purchase dates at the end of each interim six-month purchase period. Employees purchase shares using employee payroll deductions at purchase prices equal to 85% of the lesser of the fair market value of the

Company's common stock at either the first day of each offering period or the date of purchase. The ESPP currently has a reset provision: If the closing price of the Company's common stock on the last day of any purchase period during an offering period is lower than the closing sales price on the first day of the related offering period, that offering period will terminate upon the purchase of shares for such purchase period and participants will be automatically re-enrolled in the immediately following offering period. As a result, the reference price for purposes of determining the purchase price of shares for subsequent purchase periods for all participants of the new offering period resets to such lower price. No participant may purchase more than \$25,000 worth of common stock in any calendar year, or 5,000 shares of common stock in any six-month purchase period. During the six months ended June 30, 2018 and 2017, the Company issued 493,914 and 563,174 shares respectively, under the ESPP.

Determination of Fair Values

The Company used the following weighted-average assumptions to value MBRSUs under the Monte Carlo model:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
MBRSUs:				
Expected volatility	44%	46%	44%	46%
Risk free interest rate	2.61%	1.45%	2.61%	1.45%

The Company used the following weighted-average assumptions to value employee stock purchase rights under the Black-Scholes model:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
ESPP purchase rights:				
Expected term (in years)	0.50 - 1.00	0.50 - 1.00	0.50 - 1.00	0.50 - 1.00
Expected volatility	46% - 52%	34% - 39%	46% - 52%	34% - 39%
Risk free interest rate	1.45% - 2.10%	0.60% - 1.07%	1.45% - 2.10%	0.60% - 1.07%

Stock-based Compensation Expense

The Company recognized total stock-based compensation for stock-based awards in the condensed consolidated statements of operations as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
(in thousands)				
Cost of revenue	\$ 256	\$ 276	\$ 502	\$ 547
Research and development	968	1,065	2,014	1,753
Sales and marketing	1,110	1,501	2,107	2,795
General and administrative	1,250	1,602	2,632	2,902
Total stock-based compensation	\$ 3,584	\$ 4,444	\$ 7,255	\$ 7,997

The following table presents stock-based compensation expense by award-type:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
(in thousands)				
Stock Options	\$ 480	\$ 820	\$ 1,021	\$ 1,703
Restricted Stock Units	2,573	3,193	5,365	5,463
Employee Stock Purchase Plan	531	431	869	831
Total stock-based compensation	\$ 3,584	\$ 4,444	\$ 7,255	\$ 7,997

The stock-based compensation expense the Company recorded for restricted stock units for the three months ended June 30, 2018 and 2017 includes the amount of stock-based compensation recorded for MBRSUs of approximately \$0.2 million

and \$0.3 million, respectively, and for the three months ended June 30, 2017 includes the amount of stock-based compensation the Company recorded for PBRsUs of approximately \$0.3 million. The stock-based compensation expense the Company recorded for restricted stock units for the six months ended June 30, 2018 and 2017 includes the amount of stock-based compensation the Company recorded for PBRsUs of approximately \$0.2 million and \$0.5 million, respectively and MBRsUs of approximately \$0.4 million and \$0.3 million, respectively.

As of June 30, 2018, unrecognized stock-based compensation related to outstanding stock options, RSUs (including PBRsUs and MBRsUs) and ESPP purchase rights, was \$1.3 million, \$21.5 million and \$0.7 million, respectively, which the Company expects to recognize over weighted-average periods of 0.98 years, 2.15 years and 0.42 years, respectively.

8. NET LOSS PER SHARE

The Company calculates basic and diluted net loss per share by dividing the net loss by the weighted-average number of common shares outstanding during the period. Diluted net loss per share is the same as basic net loss per share, since the effects of potentially dilutive securities are antidilutive.

The following table presents the Company's computation of basic and diluted net loss per share:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(As Adjusted)		(As Adjusted)	
	(in thousands, except for share and per share data)			
Numerator:				
Net loss	\$ (2,832)	\$ (3,817)	\$ (10,149)	\$ (12,935)
Denominator:				
Weighted-average shares used to compute net loss per share, basic and diluted	54,828,749	53,175,684	54,582,129	52,808,412
Net loss per share:				
Basic and diluted	\$ (0.05)	\$ (0.07)	\$ (0.19)	\$ (0.24)

The Company excluded the following period-end outstanding common stock equivalents from its computation of diluted net loss per share for the periods presented because including them would have been antidilutive:

	As of June 30,	
	2018	2017
Shares of common stock issuable under the Equity Incentive Plan	9,401,668	10,396,671
Employee Stock Purchase Plan	106,558	96,199
Total	9,508,226	10,492,870

9. INCOME TAXES

The Company's provision for income taxes was approximately \$0.1 million and \$0.2 million, respectively, for the three months ended June 30, 2018 and 2017, and was approximately \$0.1 million and \$0.3 million, respectively, for the six months ended June 30, 2018 and 2017, respectively. The Company's provision for income taxes consisted primarily of state taxes and foreign income taxes.

For the three and six months ended June 30, 2018 and 2017, the Company's provision for income taxes differed from the statutory amount primarily due to the Company's maintaining a full valuation allowance against the U.S. net deferred tax assets, partially offset by foreign and state taxes.

The Company has intercompany services agreements with its subsidiaries located in the United Kingdom, the Netherlands, New Zealand, Australia, Canada and China, which require payment for services rendered by these subsidiaries at an arm's-length transaction price. The foreign tax expense represents foreign income tax payable by these subsidiaries on profit generated on intercompany services agreements.

The Company's realization of deferred tax assets depends on future taxable income, the existence and timing of which is uncertain. Based on the Company's history of losses, management has determined it cannot conclude that it is more likely than not that the deferred tax assets will be realized and, accordingly, management has placed a full valuation allowance against its

domestic deferred tax assets, including net operating loss carryforwards and research and development and other tax credits, as of June 30, 2018 and December 31, 2017, respectively.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act makes broad and complex changes to the U.S. tax code including, but not limited to, (1) reducing the U.S. federal corporate tax rate from 35 percent to 21 percent; (2) requiring companies to pay a one-time transition tax on certain unrepatriated earnings of foreign subsidiaries; (3) generally eliminating U.S. federal income taxes on dividends from foreign subsidiaries; (4) requiring a current inclusion in U.S. federal taxable income of certain earnings of controlled foreign corporations; (5) eliminating the corporate alternative minimum tax ("AMT") and changing how existing AMT credits can be realized; (6) creating the base erosion anti-abuse tax ("BEAT"), a new minimum tax; (7) creating a new limitation on deductible interest expense; and (8) changing rules related to uses and limitations of net operating loss carryforwards created in tax years beginning after December 31, 2017.

The Company has not completed its accounting assessment for the effects of the Tax Act; however, based on its initial assessment, the Company has determined that the Tax Act did not have a material effect on its consolidated financial statements for the three and six months ended June 30, 2018.

10. SEGMENT INFORMATION

The Company's chief operating decision maker (CODM) is its Chief Executive Officer. The Company derives its revenue primarily from sales of products and subscription and support services. The Company's CODM reviews financial information presented on a consolidated basis for purposes of allocating resources and evaluating financial performance. Accordingly, the Company determined that it operates as one reportable and operating segment.

The following table represents the Company's revenue based on the billing address of the respective channel partners:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(As Adjusted)		(As Adjusted)	
	(in thousands)			
Americas	\$ 23,401	\$ 29,381	\$ 44,231	\$ 53,277
Europe, Middle East and Africa	12,667	10,692	24,567	20,525
Asia Pacific	4,407	2,128	7,444	4,728
Total revenues	\$ 40,475	\$ 42,201	\$ 76,242	\$ 78,530

The Company has included within Americas in the above table revenue from sales in the United States of \$21.9 million and \$27.4 million, respectively, for the three months ended June 30, 2018 and 2017. Aside from the United States, no country comprised 10% or more of the Company's total revenue for each of the three months ended June 30, 2018 and 2017, respectively.

Property and equipment, net by location is summarized as follows:

	June 30,	December 31,
	2018	2017
	(in thousands)	
United States	\$ 5,257	\$ 5,323
People's Republic of China	1,445	875
United Kingdom	179	183
Total property and equipment, net	\$ 6,881	\$ 6,381

11. SUBSEQUENT EVENTS

On August 1, 2018, the Company disclosed that its Board of Directors had extended to June 30, 2020, a stock repurchase program of up to \$20.0 million, which program the Board of Directors had initially approved in February 2016. The repurchase program authorizes stock purchases from time to time in compliance with applicable securities laws in the open market or in privately negotiated transactions. The timing and amounts of any purchases will be based on market conditions and other factors including price, regulatory requirements and capital availability. The authorization does not require the purchase of any minimum number of shares, and the Company may suspend, modify or discontinue the program at any time without prior notice. As extended by the Board of Directors, the authorization will automatically expire without further action by the Board as of June 30, 2020.

On July 27, 2018, Changming Liu, a member of the Board of Directors of the Company, informed the Company of his resignation as a director of the Company effective July 31, 2018. Mr. Liu's resignation is not due to any disagreement with the Company related to its operations, policies or practices.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with our condensed consolidated financial statements and the other financial information appearing elsewhere in this Quarterly Report on Form 10-Q. This discussion and analysis contains forward-looking statements reflecting our current expectations and involves risks and uncertainties. We intend to identify forward-looking statements when we use the words "believe," "will," "may," "estimate," "continue," "anticipate," "intend," "should," "plan," "expect," "predict," "could," "potentially" and similar expressions that convey uncertainty of future events or outcomes. Our actual results and the timing of events may differ materially from those we discuss in our forward-looking statements as a result of various factors, including those we discuss below and those we discuss in the section entitled "Risk Factors" included in this Quarterly Report on Form 10-Q.

These forward-looking statements include, but are not limited to, statements concerning the following:

- *our ability to predict our revenue, operating results and gross margin accurately;*
- *our ability to timely develop, deliver and transition to new product offerings and pricing strategies, effectively introduce such offerings to the market, and transition existing and new end-customers to such offerings and strategies, while maintaining existing revenue and margins and our existing service level commitments to end-customers;*
- *our ability to continue to secure orders from larger customers and any potential loss of or reductions in orders from such larger customers;*
- *our ability to maximize sales to our education vertical, including in conjunction with opportunities from the U.S. Federal Communications Commission's E-Rate program and the timing and uncertainty of the availability of such funding, the level of available funding and the decisions by end-customers to purchase our products using such funding;*
- *the length and seasonal unpredictability of our sales cycles, including with service provider end-customers;*
- *the effects of increased competition in and consolidation of our market and our ability to compete with larger competitors with greater financial, technical and other resources;*
- *our ability to continue to enhance and broaden our product and solutions offerings and bring new products, product functionality and solutions to market;*
- *our ability to attract new end-customers within the verticals and geographies in which we currently operate;*
- *changes in global consumer confidence and demand for our products internationally, due to changes to foreign currency exchange rates and other factors;*
- *our ability to continue to build and enhance relationships with channel partners and to derive revenue from our investments in those partnerships, particularly with our strategic partners;*
- *our ability to protect our intellectual property and our exposure to third party claims that we or our customers or channel partners infringe their intellectual property; and*

- *other risk factors included under the section titled "Risk Factors."*

These forward-looking statements are subject to a number of risks, uncertainties, and assumptions, including those described in "Risk Factors" included in Part II, Item 1A and elsewhere in this report. Moreover, we operate in a very competitive and rapidly changing environment, and new risks emerge from time to time. It is not possible for us to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances we discuss in this report may not occur, and our actual results could differ materially and adversely from those we anticipate or imply in the forward-looking statements. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements, except as required by law. Given these risks and uncertainties, we caution you not to place undue reliance on such forward-looking statements.

Overview

Our goal is to be a leading independent cloud networking company by simplifying and transforming the connected experience through information, applications and insights. We have designed and developed a leading cloud-managed networking platform that enables enterprises to deploy and manage a mobile-centric network edge. Our platform builds on the foundation of our Wi-Fi and wired network infrastructure. Our platform also connects and stores valuable data about the network and network users that can enable better IT and business applications. Customers around the world, from Fortune 500 businesses to small schools, have chosen our products.

For the three months ended June 30, 2018, our revenue was \$40.5 million, a decline of \$1.7 million, compared to \$42.2 million for the three months ended June 30, 2017. For the six months ended June 30, 2018 and 2017, our revenue was \$76.2 million and \$78.5 million, respectively. In the three months ended June 30, 2018 and 2017, our net losses were \$2.8 million and \$3.8 million, respectively, and for the six months ended June 30, 2018 and 2017, our net losses were \$10.1 million and \$12.9 million, respectively.

We primarily conduct business in three geographic regions: (1) Americas, (2) Europe, the Middle East and Africa, or EMEA, and (3) Asia Pacific, or APAC. From a geographic perspective, in the six months ended June 30, 2018, compared to the six months ended June 30, 2017, our year-over-year revenue decreased by 17.0% in the Americas and increased by 19.7% in EMEA and 57.4% in APAC. For the six months ended June 30, 2018, we generated 58.0% of our total revenue from Americas, 32.2% from EMEA and 9.8% from APAC.

We believe that the growth of our business and our future success depends upon many factors, including our ability to continue to develop innovative technologies and timely provide new product offerings to the marketplace; increase our sales capabilities and develop our channel partner program; acquire new end customers, expand our end-customer base and increase penetration within our existing end-customer base (including through new product offerings); and demonstrate revenue growth to our investors and financial analysts while also demonstrating that we can achieve profitability on an acceptable timeline and predictably maintain profitability thereafter.

We operate in the highly competitive wired and wireless network access products market, which is characterized by rapid technological innovation. We will need to continue to innovate in order to achieve market adoption of our products and services. We have continued the expansion of our product portfolio with the release of new Wi-Fi access points, access switches, SD-WAN routers and management software to allow us to deliver a unified wired and wireless network edge.

In the wireless market, we have seen almost all customer demand shift to the 802.11ac standard, which uses new radio hardware to deliver substantially higher wireless performance. In 2016, we continued the push towards higher performance with the release of our 802.11ac "wave2" access points. We also continue to develop new functionality in our product offerings to take advantage of the changes to industry standards, including continued evolution of "Wave 2" and we plan to release products based on the emerging 802.11ax standard this summer.

We believe we have a unique market opportunity based on our ability to deliver unified Wi-Fi, switch and SD-WAN router solutions operating on a single, unified management platform, with subscription-based SaaS solutions and data analytics, at a low entry and operating cost, and the ability to tailor and expand based on each user's needs. We have developed a cloud-based services platform to provide network management and support additional value-added applications. HiveManager (which we formerly called HiveManager NG), the newest version of our network management application, HiveManager Classic, provides a single management interface that customers use to configure network policies, monitor and troubleshoot performance, manage access and security, and run reports on network operations. We will continue to sell and support the legacy version of HiveManager Classic. However, our focus is to continue to transition our business to HiveManager and make

our cloud-services platform and applications available to customers in either a subscription-based public cloud or on-premises private cloud deployment. Under the Aerohive Connect program, customers may purchase a less complex, connectivity-oriented HiveManager solution at attractive entry-point pricing. Aerohive Connect customers can expand their Connect deployment, as needed, and can add subscriptions or licenses to upgrade to our full-featured Select offering and premium support services. Our Aerohive Connect and Select offerings are available across our entire portfolio of access points and switches. We believe that separating our product line into these two offerings delivers compellingly priced cloud-managed hardware for connectivity-oriented deployments and enables us to capture more subscription and software license revenue from those customers who require a more advanced feature set and support. In November 2017, we announced that we had entered an OEM agreement with Dell EMC to deliver Aerohive's Wi-Fi access point hardware and HiveManager cloud services platform. The agreement includes joint sales, marketing, support services and logistic investments, and combines Aerohive's technology with Dell EMC's go-to-market and support capabilities through Dell EMC sales teams, Dell EMC channel partners, and Dell EMC services offerings. We also announced later in 2017 our SD-WAN solution for highly distributed commercial enterprises, retail chains and long-term healthcare providers which, when combined with our existing SD-LAN offering, enables organizations to simplify branch deployments with a unified cloud-managed Wi-Fi, switching, and SD-WAN VPN routing solution. We also announced in June 2018, a global partnership with Juniper Networks, whereby Juniper can sell our cloud-managed Wi-Fi solution, including our family of .11ax access points and HiveManager cloud platform. In addition, in early 2018 we announced our A3 secure access management and authentication product, Aerohive Atom AP30 pluggable access point and development of a family of enterprise-class 802.11ax access points.

Our business is seasonally driven by annual budget cycles in the enterprise and spending seasonality in the education vertical. The buying cycle for K-12 schools in the United States historically has driven strong sequential growth for us in the second quarter. We expect this seasonality to continue into 2018, as well.

A substantial portion of our revenue has, historically, depended on the volatile education market, which has brought uncertainty to our results in particular quarters. For this reason, a priority for our business continues to be to expand and diversify our offerings and revenue opportunities into other verticals, with particular focus on enterprise customers. In our second quarter of fiscal year 2018, our K-12 education vertical comprised approximately 33% of our overall business, compared with 24% in the prior quarter and 46% in the second quarter of our fiscal year 2017. We also intend to increase our focus and continue to invest significant resources in developing our innovative technologies and new product offerings, acquiring new end customers in new and existing geographies, increasing penetration within our existing end customer base and extending the reach of our channel partnerships.

In November 2017, we announced that we had changed our sales leadership, following which we, uncovered underlying sales execution issues which became fully apparent in the last month of the fourth quarter. We have taken actions to replace underperforming sales team members, and we expect to continue to invest in our organization and our channel and strategic partnerships to meet the needs of our customers and to pursue opportunities in new and existing markets. In particular, we are continuing to invest in our sales efficiency and expand and improve our channel program. As such, we will continue to incur expenses in the near term, due to our continuing investments to grow our business, including internationally, in advance of and in preparation for, our expected increase in sales and expansion of our customer base. We believe that over the long term, we will be able to leverage these investments in the form of a higher revenue growth rate compared to the growth rate of our operating expenses.

Results of Operations

The following table sets forth our results of operations for the periods presented, in dollars (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Revenue:		(As Adjusted)		(As Adjusted)
Product	\$ 29,268	\$ 32,105	\$ 54,334	\$ 59,072
Subscription and support	11,207	10,096	21,908	19,458
Total revenue	40,475	42,201	76,242	78,530
Cost of revenue ⁽¹⁾ :				
Product	10,379	10,470	19,050	19,285
Subscription and support	3,383	3,153	6,787	6,329
Total cost of revenue	13,762	13,623	25,837	25,614
Gross profit	26,713	28,578	50,405	52,916
Operating expenses:				
Research and development ⁽¹⁾	8,581	9,222	17,860	18,772
Sales and marketing ⁽¹⁾	15,731	17,411	31,401	34,848
General and administrative ⁽¹⁾	5,272	5,489	11,226	11,786
Operating loss	(2,871)	(3,544)	(10,082)	(12,490)
Interest income	337	164	626	304
Interest expense	(183)	(147)	(347)	(277)
Other expense, net	(31)	(93)	(204)	(178)
Loss before income taxes	(2,748)	(3,620)	(10,007)	(12,641)
Income tax provision	84	197	142	294
Net loss	\$ (2,832)	\$ (3,817)	\$ (10,149)	\$ (12,935)

⁽¹⁾Includes stock-based compensation as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(in thousands)			
Cost of revenue	\$ 256	\$ 276	\$ 502	\$ 547
Research and development	968	1,065	2,014	1,753
Sales and marketing	1,110	1,501	2,107	2,795
General and administrative	1,250	1,602	2,632	2,902
Total stock-based compensation expense	\$ 3,584	\$ 4,444	\$ 7,255	\$ 7,997

The following table sets forth our results of operations for the periods presented, as a percentage of our total revenue:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017 (As Adjusted)	2018	2017 (As Adjusted)
Revenue:				
Product	72 %	76 %	71 %	75 %
Subscription and support	28	24	29	25
Total revenue	100	100	100	100
Cost of revenue:				
Product	26	25	25	25
Subscription and support	8	8	9	8
Total cost of revenue	34	33	34	33
Gross profit	66	67	66	67
Operating expenses:				
Research and development	21	22	24	24
Sales and marketing	39	41	41	44
General and administrative	14	13	15	15
Operating loss	(8)	(9)	(14)	(16)
Interest income	1	—	1	—
Interest expense	—	—	—	—
Other income (expense), net	—	—	—	—
Loss before income taxes	(7)	(9)	(13)	(16)
Income tax provision	—	—	—	—
Net loss	(7)%	(9)%	(13)%	(16)%

Revenue

We derive revenue from the sales of our products and services and we recognize revenue when we have identified the contract with the customer, identified the performance obligations in the contract, determined the transaction price, allocated the price to the performance obligations, and the performance obligations have been satisfied.

Our total revenue comprises the following:

Product Revenue. We derive product revenue primarily from sales of our hardware products, which include wireless access points, SD-WAN routers, and switches, all of which are embedded with our proprietary operating system, HiveOS, and perpetual licenses for our unified network management system, HiveManager, and other software applications, as well as related accessories. We recognize product revenue at the time of shipment, provided that all other revenue recognition criteria have been met.

Subscription and Support Revenue. We derive subscription and support revenue primarily from sales of our subscription and support offerings that we deliver over a specified term. These offerings primarily include post-contract customer support, or PCS, related to our perpetual software licenses and subscriptions to HiveManager and other software applications delivered as SaaS, including related customer support, and from subsequent renewals of those contracts. To benefit fully from potential contract renewals, we plan to continue to invest in systems to better track existing customer support commitments and renewal opportunities and provide offerings which continue to be attractive to our customers. Our PCS includes tiered maintenance and support services under renewable, fee-based maintenance and support contracts, which include technical support, bug fixes, access to priority hardware replacement services and unspecified upgrades on a when-and-if available basis. Our SaaS subscriptions include comparable maintenance and support services. The higher the percentage of our end-customers that purchase SaaS subscriptions, as opposed to HiveManager and PCS, the higher our subscription and support revenue will be as a percentage of our total revenue. We recognize subscription and support revenue ratably over the term of the contract, which is typically one, three or five years. As a result, our recognition of subscription and support revenue lags our recognition of related product revenue.

	Three Months Ended June 30,				Six Months Ended June 30,			
	2018	2017	\$ Change	% Change	2018	2017	\$ Change	% Change
	(dollars in thousands)				(dollars in thousands)			
Revenues:	(As Adjusted)				(As Adjusted)			
Product	\$ 29,268	\$ 32,105	\$ (2,837)	(9)%	\$ 54,334	\$ 59,072	\$ (4,738)	(8)%
Subscription and support	11,207	10,096	1,111	11 %	21,908	19,458	2,450	13 %
Total revenue	<u>\$ 40,475</u>	<u>\$ 42,201</u>	<u>\$ (1,726)</u>	(4)%	<u>\$ 76,242</u>	<u>\$ 78,530</u>	<u>\$ (2,288)</u>	(3)%
Percentage of revenues:								
Product	72%	76%			71%	75%		
Subscription and support	28%	24%			29%	25%		
Total	<u>100%</u>	<u>100%</u>			<u>100%</u>	<u>100%</u>		

	Three Months Ended June 30,				Six Months Ended June 30,			
	2018	2017	\$ Change	% Change	2018	2017	\$ Change	% Change
	(dollars in thousands)				(dollars in thousands)			
Revenue by geographic region:	(As Adjusted)				(As Adjusted)			
Americas	\$ 23,401	\$ 29,381	\$ (5,980)	(20)%	\$ 44,231	\$ 53,277	\$ (9,046)	(17)%
EMEA	12,667	10,692	1,975	18 %	24,567	20,525	4,042	20 %
APAC	4,407	2,128	2,279	107 %	7,444	4,728	2,716	57 %
Total revenue	<u>\$ 40,475</u>	<u>\$ 42,201</u>	<u>\$ (1,726)</u>	(4)%	<u>\$ 76,242</u>	<u>\$ 78,530</u>	<u>\$ (2,288)</u>	(3)%

Percentage of revenue by geographic region:								
Americas	58%	70%			58%	68%		
EMEA	31%	25%			32%	26%		
APAC	11%	5%			10%	6%		
Total	<u>100%</u>	<u>100%</u>			<u>100%</u>	<u>100%</u>		

Revenue decreased \$1.7 million for the three months ended June 30, 2018, compared to the three months ended June 30, 2017, and decreased \$2.3 million for the six months ended June 30, 2018, compared to the six months ended June 30, 2017, primarily due to a decrease in product revenue, partially offset by an increase in subscription and support revenue.

The decrease in our product revenue of \$2.8 million and \$4.7 million in the three and six months ended June 30, 2018, respectively, compared to the same periods last year, was primarily due to the decrease related to our Connect and Select offering in the list prices of our hardware products.

The increase in our subscription and support revenue of \$1.1 million and \$2.5 million in the three and six months ended June 30, 2018, respectively, compared to the same periods last year, was primarily due to an increase in sales of PCS and SaaS offerings, including our cloud-management platforms, and our recognition of deferred revenue in the period.

The Americas accounted for the majority of our total revenue in the three and six months ended June 30, 2018 and June 30, 2017. The decrease in revenue in our Americas region for the three months ended June 30, 2018, compared to the same period in 2017, was primarily due to the decrease related to our Connect-to-Select strategy in list prices of our hardware products we sold in that region.

Cost of Revenues

Our cost of revenue includes the following:

Cost of Product Revenue. Our cost of product revenue primarily includes manufacturing costs of our products payable to third-party manufacturers. Our cost of product revenue also includes personnel costs, including stock-based compensation, shipping costs, third-party logistics costs, provisions for excess and obsolete inventory, warranty and

replacement costs, the depreciation and amortization of testing and imaging equipment, inbound license fees, certain allocated facilities and information technology infrastructure costs, and other expenses associated with logistics and quality control.

Cost of Subscription and Support Revenue. Our cost of subscription and support revenue primarily includes personnel costs, including stock-based compensation, certain allocated facilities information technology infrastructure costs, costs associated with our provision of PCS and SaaS activities and datacenter costs. Our cost of subscription and support revenue also includes amortization of capitalized costs related to HiveManager, our internally developed, cloud-services platform, which we completed and launched in April 2015.

	Three Months Ended June 30,				Six Months Ended June 30,			
	2018	2017	\$ Change	% Change	2018	2017	\$ Change	% Change
	(dollars in thousands)				(dollars in thousands)			
Cost of revenues:	(As Adjusted)				(As Adjusted)			
Product	\$ 10,379	\$ 10,470	\$ (91)	(1)%	\$ 19,050	\$ 19,285	\$ (235)	(1)%
Subscription and support	3,383	3,153	230	7%	6,787	6,329	458	7%
Total cost of revenues	<u>\$ 13,762</u>	<u>\$ 13,623</u>	<u>\$ 139</u>	1%	<u>\$ 25,837</u>	<u>\$ 25,614</u>	<u>\$ 223</u>	1%

Cost of revenue increased \$0.1 million and \$0.2 million for the three and six months ended June 30, 2018, respectively, compared to the three and six months ended June 30, 2017. We primarily attribute the decrease in our cost of product revenue for the three and six months ended June 30, 2018 to changes in the mix of the products we sold in the period. We primarily relate the increase in our cost of subscription and support revenue to an increase in software subscription and services revenue and an increase in the cost of our cloud operations as we scale to support more managed devices.

Gross Margin

Our gross margin or gross profit has been and will continue to be affected by a variety of factors, including product shipment volumes, average sales prices of our products, discounts we offer to our VAR, OEM and distributor partners, the mix of revenue between products and subscription and support services, and the mix of products we sold in the period, because our products have varying gross margins depending on the product offering and the lifecycle of the product. We expect our subscription and support gross margin to increase over the long term because we expect our subscription and support revenue to increase more quickly than our cost of subscription and support revenue. We expect our gross margin to be volatile and may decrease at any given time as we experience additional competitive pricing pressure. Further, we believe the pricing of our new Connect and Select offerings may dampen our product gross margin; however, we expect these offerings to generate improvements in our subscription and support gross margin as well as to increase our deferred revenue over the period.

	Three Months Ended June 30,				Six Months Ended June 30,			
	2018		2017		2018		2017	
	Amount	GM	Amount	GM	Amount	GM	Amount	GM
	(dollars in thousands)				(dollars in thousands)			
Gross margin:	(As Adjusted)				(As Adjusted)			
Product	\$ 18,889	64.5%	\$ 21,635	67.4%	\$ 35,284	64.9%	\$ 39,787	67.4%
Subscription and support	7,824	69.8%	6,943	68.8%	15,121	69.0%	13,129	67.5%
Total gross margin	<u>\$ 26,713</u>	66.0%	<u>\$ 28,578</u>	67.7%	<u>\$ 50,405</u>	66.1%	<u>\$ 52,916</u>	67.4%

Total gross margin decreased from 67.7% to 66.0% for the three months ended June 30, 2018 compared to the three months ended June 30, 2017, and decreased from 67.4% to 66.1% for the six months ended June 30, 2018 compared to the six months ended June 30, 2017, primarily due to the decrease related to our Connect-to-Select strategy in list prices of our hardware products, accompanied by the increase in software and subscription prices.

Product gross margin decreased from 67.4% to 64.5% for the three months ended June 30, 2018, compared to the three months ended June 30, 2017, and decreased from 67.4% to 64.9% for the six months ended June 30, 2018, compared to the six months ended June 30, 2017. The decrease in our product gross margin was primarily due to the decrease related to our Connect-to-Select strategy in list prices of our hardware products and the mix of products sold during the period. A result of our planned pricing shift related to our Connect-to-Select strategy, revenue shifted from hardware products and increased our subscription and support revenue. Subscription and support gross margin increased from 68.8% to 69.8% for the three months ended June 30, 2018, compared to the three months ended June 30, 2017, and increased from 67.5% to 69.0% for the six months ended June 30, 2018, compared to the six months ended June 30, 2017. The increase in our subscription and support

gross margin was primarily due to higher growth in our subscription and support revenue than our related cost of delivering these subscription and support services.

Research and Development

Our research and development expenses consist primarily of personnel costs, including bonuses, stock-based compensation, recruiting fees and travel expenses for employees engaged in research, design and development activities. Research and development expenses also include costs for prototype-related expenses, product certification, consulting services, depreciation and certain allocated facilities and information technology infrastructure costs. We believe that continued investment in research and development is important to attaining our strategic objectives. Over time, we expect our research and development expenses to continue to increase in absolute dollars for the foreseeable future as we continue to invest in the development of our products and services. Our research and development expenses may fluctuate as a percentage of our total revenue from period to period due to the seasonality of our total revenue and the timing and extent of our research and development expenses.

	Three Months Ended June 30,				Six Months Ended June 30,			
	2018	2017	\$ Change	% Change	2018	2017	\$ Change	% Change
	(dollars in thousands)				(dollars in thousands)			
Research and development	\$ 8,581	\$ 9,222	\$ (641)	(7)%	\$ 17,860	\$ 18,772	\$ (912)	(5)%
% of revenue	21%	22%			24%	24%		

Research and development expense decreased \$0.6 million for the three months ended June 30, 2018, compared to the three months ended June 30, 2017. The decrease was primarily due to a decrease of \$0.5 million in personnel and related costs, and a decrease of \$0.1 million in stock-based compensation expense.

Research and development expense decreased \$0.9 million for the six months ended June 30, 2018, compared to the six months ended June 30, 2017. The decrease was primarily due to a decrease of \$1.3 million in personnel and related costs due to lower headcount offset by an increase of \$0.3 million in stock-based compensation expense and increase of \$0.1 million in professional services.

Sales and Marketing

Our sales and marketing expenses consist primarily of personnel costs, including commission costs, stock-based compensation, recruiting fees and travel expenses for employees engaged in sales and marketing activities. Sales and marketing expenses also include the cost of trade shows, marketing and training programs, promotional materials, demonstration equipment, consulting services, depreciation and certain allocated facilities and information technology infrastructure costs. Over time, we expect our sales and marketing expenses to continue to increase in absolute dollars as we increase the size of our sales and marketing organization, expand into new markets and further develop our channel program. Our sales and marketing expenses may fluctuate as a percentage of our total revenue from period to period due to the seasonality of our total revenue and the timing and extent of our sales and marketing expenses.

	Three Months Ended June 30,				Six Months Ended June 30,			
	2018	2017	\$ Change	% Change	2018	2017	\$ Change	% Change
	(dollars in thousands)				(dollars in thousands)			
	(As Adjusted)				(As Adjusted)			
Sales and marketing	\$ 15,731	\$ 17,411	\$ (1,680)	(10)%	\$ 31,401	\$ 34,848	\$ (3,447)	(10)%
% of revenue	39%	41%			41%	44%		

Sales and marketing expense decreased \$1.7 million for the three months ended June 30, 2018, compared to the three months ended June 30, 2017. The decrease was primarily due to decreases of \$1.1 million in personnel and related costs and \$0.4 million in stock-based compensation, each due to lower headcount and a decrease of \$0.2 million in other expenses primarily due to lower spending on marketing programs and professional services.

Sales and marketing expense decreased \$3.4 million for the six months ended June 30, 2018, compared to the six months ended June 30, 2017. The decrease was primarily due to decreases of \$2.6 million in personnel and related costs and \$0.7 million in stock-based compensation, each due to lower headcount, and a decrease of \$0.4 million in marketing programs offset by an increase of \$0.3 million in professional services.

General and Administrative

Our general and administrative expenses consist primarily of personnel costs, including bonuses, stock-based compensation and travel expenses for our executive, finance, human resources, legal and operations employees, as well as compensation for our board of directors. General and administrative expenses also include fees for outside consulting, legal, audit, investor relations, and accounting service and insurance, as well as depreciation and certain allocated facilities and information technology infrastructure costs. Over time, we expect our general and administrative expenses to continue to increase in absolute dollars due to the additional legal, accounting, insurance, investor relations, information technology and other costs that we will continue to incur as a public company, as well as other costs associated with growing our business. Our general and administrative expenses may fluctuate as a percentage of our total revenue from period to period due to the seasonality of our total revenue and the timing and extent of our general and administrative expenses.

	Three Months Ended June 30,				Six Months Ended June 30,			
	2018	2017	\$ Change	% Change	2018	2017	\$ Change	% Change
	(dollars in thousands)				(dollars in thousands)			
General and administrative	\$ 5,272	\$ 5,489	\$ (217)	(4)%	\$ 11,226	\$ 11,786	\$ (560)	(5)%
% of revenue	14%	13%			15%	15%		

General and administrative expense decreased \$0.2 million for the three months ended June 30, 2018, compared to the three months ended June 30, 2017. The decrease was primarily due to a decrease of \$0.3 million in stock-based compensation offset by increase in other expenses for professional services.

General and administrative expense decreased \$0.6 million for the six months ended June 30, 2018, compared to the six months ended June 30, 2017. The decrease was primarily due to a decrease of \$0.2 million in employee and related costs, a decrease of \$0.3 million in stock-based compensation and a decrease of \$0.1 million in other expenses.

Interest Income

Our interest income primarily consists of interest earned on our cash, cash equivalents and short-term investments. We have invested our cash in money-market funds and other short-term, high quality investments. Historically, our interest income has not been material.

	Three Months Ended June 30,				Six Months Ended June 30,			
	2018	2017	\$ Change	% Change	2018	2017	\$ Change	% Change
	(dollars in thousands)				(dollars in thousands)			
Interest income	\$ 337	\$ 164	\$ 173	105%	\$ 626	\$ 304	\$ 322	106%

Interest income increased for the three and six months ended June 30, 2018, compared to the same periods in prior year primarily due to income earned on our short-term investments due to increasing interest rates.

Interest Expense

Our interest expense consists primarily of interest on our indebtedness.

	Three Months Ended June 30,				Six Months Ended June 30,			
	2018	2017	\$ Change	% Change	2018	2017	\$ Change	% Change
	(dollars in thousands)				(dollars in thousands)			
Interest expense	\$ (183)	\$ (147)	\$ (36)	24%	\$ (347)	\$ (277)	\$ (70)	25%

The change in our interest expense was not significant.

Other Expense, Net

Our other income, net primarily consists of gains and losses from foreign currency exchange transactions.

	Three Months Ended June 30,				Six Months Ended June 30,			
	2018	2017	\$ Change	% Change	2018	2017	\$ Change	% Change
	(dollars in thousands)				(dollars in thousands)			
Other income (expense), net	\$ (31)	\$ (93)	\$ 62	(67)%	\$ (204)	\$ (178)	\$ (26)	15%

The change in our other expense, net primarily related to changes due to foreign currency fluctuations and were not significant during the three and six months ended June 30, 2018 as compared to the same periods in the prior year.

Provision for Income Taxes

Our provision for income taxes consists primarily of foreign tax expense due to our cost-plus agreements with our foreign entities, which guarantee our foreign entities a profit, and to a lesser extent federal and state income tax expense. We expect our provision for income taxes to increase in absolute dollars in future periods.

	Three Months Ended June 30,				Six Months Ended June 30,			
	2018	2017	\$ Change	% Change	2018	2017	\$ Change	% Change
	(dollars in thousands)				(dollars in thousands)			
Provision for income taxes	\$ 84	\$ 197	\$ (113)	(57)%	\$ 142	\$ 294	\$ (152)	(52)%

The change in our provision for income taxes primarily related to foreign and state income taxes and was not significant. As of June 30, 2018 and December 31, 2017, respectively, we maintained a full valuation allowance against our domestic deferred tax assets, including net operating loss carryforwards and research and development and other tax credits.

Liquidity and Capital Resources

As of June 30, 2018, we had cash and cash equivalents of \$35.0 million and short-term investments of \$52.6 million. As of June 30, 2017, we held \$86.3 million of our cash, cash equivalents and short-term investments within the United States.

In June 2012, we entered into the Revolving Credit Facility with Silicon Valley Bank, which matures on March 31, 2019. We have been using the amount drawn under the Revolving Credit Facility for working capital and general corporate purposes. As of June 30, 2018 we had \$20.0 million of outstanding debt, under the Revolving Credit Facility, and we were in compliance with all covenants under our loan agreement. See Note 4 to the Condensed Consolidated Financial Statements included in this Form 10-Q for more information about our debt.

We believe that our existing cash and cash equivalents will be sufficient to meet our anticipated working capital and capital expenditure needs for at least the next 12 months. Our future capital requirements will depend on many factors, including our growth rate, the timing and extent of our spending to support our research and development efforts, the expansion of our sales and marketing activities, the introduction of new and enhanced product and service offerings, the costs to ensure access to adequate manufacturing capacity, and the level of market acceptance of our products. However, we may be required to raise additional funds in the future through public or private debt or equity financing to meet additional working capital requirements.

Cash Flows

The following table summarizes our cash flows for the periods indicated:

	Six Months Ended June 30,	
	2018	2017
	(in thousands)	
Net cash provided by operating activities	\$ 5,050	\$ 2,376
Net cash provided by (used in) investing activities	3,852	(3,648)
Net cash provided by (used in) financing activities	(1,178)	1,545
Net increase in cash and cash equivalents	\$ 7,724	\$ 273

Operating Activities

We have had in the past negative cash flows from operating activities as we continue to invest in our business. Our largest uses of cash from operating activities are for employee-related expenditures and purchases of finished products from our contract manufacturers. Our primary source of cash flows from operating activities is cash receipts from our channel partners. Our cash flows from operating activities will continue to be affected principally by the extent to which we grow our total revenue and our operating expenses, primarily in our sales and marketing and research and development functions, in order to grow our business.

For the six months ended June 30, 2018, cash provided by operating activities was \$5.1 million as a result non-cash charges of \$8.5 million and a net change of \$6.7 million in our net operating assets and liabilities offset by our net loss of \$10.1 million. Non-cash charges consisted primarily of stock-based compensation of \$7.3 million, depreciation and amortization expense of \$1.5 million offset by other charges of \$0.3 million. The net change in our net operating assets and liabilities was primarily due to a \$2.3 million decrease in cash used for inventory purchases, \$0.5 million decrease in accounts receivable primarily due to the timing of shipments, \$0.5 million decrease in accrued liabilities and a \$4.3 million increase in deferred revenue, offset by a \$0.3 million increase in prepaid expenses, \$0.4 million increase in other assets, and a \$0.1 million increase in accounts payable. Our days sales outstanding, or DSO, was 39 days as of June 30, 2018, which we calculate by dividing net accounts receivable at the end of the quarter by revenue recognized during the quarter, multiplied by the total days in the quarter. The decrease in DSO to 39 days as compared to 49 days for the same period last year is primarily due to the timing of shipments.

For the six months ended June 30, 2017, cash provided by operating activities was \$2.4 million as a result of non-cash charges of \$9.6 million and a net change of \$5.7 million in our net operating assets and liabilities offset by our net loss of \$12.9 million. Non-cash charges consisted primarily of stock-based compensation of \$8.0 million and depreciation and amortization expense of \$1.6 million. The net change in our net operating assets and liabilities was primarily due to a \$3.3 million decrease in accounts receivable, \$4.1 million increase in accounts payable and \$2.1 million increase in deferred revenue partially offset by \$2.4 million increase in cash used for inventory purchases, \$1.0 million increase in prepaid expenses and other current assets, \$0.3 million decrease in accrued liabilities and \$0.2 million increase in other assets. Our DSO, was 49 days as of June 30, 2017.

Investing Activities

Our investing activities have primarily consisted of purchases of property and equipment and purchases and sales or maturities of marketable securities.

For the six months ended June 30, 2018, cash provided by investing activities was \$3.9 million, primarily attributable to maturities of marketable securities of \$38.7 million offset by cash used for purchases of marketable securities of \$33.4 million, and cash used for purchases of property and equipment of \$1.4 million, relating primarily to purchase of software.

For the six months ended June 30, 2017, cash used in investing activities was \$3.6 million, primarily attributable to cash used for purchases of marketable securities of \$21.8 million, cash used for purchases of property and equipment of \$0.5 million, relating primarily to manufacturing and research and development lab equipment, offset by maturities of marketable securities of \$18.6 million.

Financing Activities

Our financing activities have primarily consisted of proceeds from and repayments against our Revolving Credit Facility, proceeds from our employees' exercises of stock options and proceeds from employee purchases under our stock purchase plan offset by our repurchases of common stock.

For the six months ended June 30, 2018, cash used in financing activities was \$1.2 million, primarily as a result of \$1.7 million of cash used to satisfy our estimate of minimum employee tax withholding requirements on vesting of restricted stock units, \$1.0 million cash used for repurchases of common stock offset by \$1.6 million in proceeds from employee purchases under our stock purchase plan.

For the six months ended June 30, 2017, cash provided by financing activities was \$1.5 million, primarily as a result of \$3.1 million in proceeds from employee purchases under our stock purchase plan and employees exercises of stock options offset by \$1.0 million cash used for repurchases of common stock and \$0.5 million of cash used to satisfy our estimate of minimum employee tax withholding requirements on vesting of restricted stock units.

Off-Balance Sheet Arrangements

Through June 30, 2018, we did not have any relationships with unconsolidated organizations or financial partnerships, such as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Sensitivity

Our exposure to market risk for changes in interest rates relates primarily to our cash, cash equivalents, short-term investments and our outstanding debt obligations. We had cash, cash equivalents and short-term investments of \$87.6 million and \$84.9 million as of June 30, 2018 and December 31, 2017, respectively. We held these amounts primarily in bank deposits, money market funds, certificates of deposit, commercial paper and bonds issued by corporate institutions and U.S. government agencies. Such interest-earning instruments carry a degree of interest rate risk. To date, fluctuations in our interest income have not been significant.

We have outstanding debt of \$20.0 million as of June 30, 2018, consisting of our borrowing under our Revolving Credit Facility. The Revolving Credit Facility bears interest at a variable rate.

We do not enter into investments for trading or speculative purposes and have not used any derivative financial instruments to manage our interest rate risk exposure. We have not been exposed to material risks due to changes in interest rates. A hypothetical 10% change in interest rates during any of the periods we present in this report would not have had a material impact on our financial statements.

Foreign Currency Risk

We denominate all of our sales in U.S. dollars and, therefore, our revenues are not currently subject to significant foreign currency risk. However, when the exchange rate of the U.S. dollar to foreign currencies is strong, the price of our products outside the United States may become less competitive, reducing our sales or requiring us to lower pricing for our products outside the United States in order to maintain sales and revenue performance. Our operating expenses are denominated in the currencies of the countries in which our operations are located, including in EMEA and APAC, and may be subject to fluctuations due to changes in foreign currency exchange rates. However, to date, we have not used derivative financial instruments to mitigate our exposure to foreign currency exchange risks. A hypothetical 10% change in foreign currency exchange rates applicable to our business would not have a material impact on our consolidated financial statements in any of the periods presented.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Management, with the participation of our chief executive officer and our chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2018. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well-designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of June 30, 2018, our chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable-assurance level.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the quarter ended June 30, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information set forth under the “Contingencies” subheading in Note 5 - Commitments and Contingencies of Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report on Form 10-Q is incorporated herein by reference.

ITEM 1A. RISK FACTORS

In evaluating Aerohive and our business, you should carefully consider the risks and uncertainties described below, together with all of the other information in this report, including our condensed consolidated financial statements and related notes. The risks and uncertainties described below are not the only ones we face. If any of the following or other risks occur, our business, financial condition, operating results, and prospects could be materially harmed. In that event, the price of our common stock could decline, and you could lose part or all of your investment.

Risks Related to Our Business

We have a history of losses and we may not achieve profitability in the future.

We manage our ongoing operating expenses in an effort to position us to achieve non-GAAP operating profitability at certain target levels of quarterly revenue, which we may announce publicly from time-to-time. We may subsequently take actions which could raise or lower the level of quarterly revenue we would need to achieve non-GAAP profitability in any period. Nonetheless, we have a history of losses. We have never achieved GAAP profitability on a quarterly or annual basis, and we cannot predict with certainty whether or when we might be profitable in the foreseeable future, even at these revenue levels. We experienced net losses on a GAAP basis of \$38.2 million, \$22.1 million and \$10.1 million for fiscal years 2016, 2017 and the six months ended June 30, 2018, respectively. As of June 30, 2018, our accumulated deficit was \$257.6 million. We expect to continue to incur expenses associated with the continued development and expansion of our business, including expenditures to hire additional personnel: specifically, personnel costs relating to sales, marketing and engineering, and investments in channel and product development and support. As such, we may not control our expenses sufficiently to achieve operating profitability on a non-GAAP basis even if we achieve quarterly revenue in the indicated range. If we fail to increase our revenue and manage our cost structure, we may not achieve profitability in the future. Once achieved, we may not be able to sustain or increase our profitability, at all or at levels our investors or industry analysts expect, or we may choose to continue to make investments in our operations which we feel will promote long-term growth but which will reduce near-term profitability. This could also require us to continue to use available cash to support our investments and ongoing operations. As a result, our business and prospects, and how investors view and value our common stock, would be harmed.

Our operating results may fluctuate significantly from period to period, which makes our future operating results difficult to predict and could cause our operating results in any particular period or over an extended period to fall below expectations of investors or analysts.

Our operating results have fluctuated significantly in the past and we expect will continue to fluctuate significantly in the future. In particular, the timing and size of sales of our products and services, including results across regions, are highly variable and difficult for us to predict and can result in significant fluctuations in our revenue from period to period. Other participants in our industry have also experienced these fluctuations. As a result, our future results in any particular period or over any extended period may be difficult for us, our investors and analysts to predict.

In addition, our planned expense levels depend in part on our expectations of future revenue. We may choose to maintain or increase levels of investment in areas such as R&D and sales and marketing, despite near-term fluctuations in revenue, in order to position us for continued growth. We also may reduce product prices in order to increase revenue growth and/or penetration of our products into targeted verticals. For example, in January 2017, we announced HiveManager Connect, a simplified version of HiveManager included as part of our new Aerohive Connect product line designed for customers with less complex connectivity-oriented requirements. Under the Aerohive Connect program, customers may purchase access points at lower list prices. Aerohive Connect customers can expand their Connect deployment, as needed, and can add subscriptions or licenses to upgrade to our full-featured Select offering and premium support services. In May 2017, we announced that our Aerohive Connect and Select offerings are available across our entire portfolio of access points and switches. We believe that separating our product line into these two offerings will deliver compellingly priced cloud-managed hardware for connectivity-oriented deployments and enables us to capture more subscription and software license revenue from those customers who require a more advanced feature set and support. This program may reduce our revenue, or the rate of our revenue growth, as purchasers take advantage of the lower entry pricing for our products. In addition, it may be difficult and take time for us to adjust expenses sufficiently to compensate for a shortfall in revenue, even when we may anticipate the shortfall. In such instances, even a small shortfall or seasonal fluctuation in revenue could disproportionately and adversely affect our overall operating margin, operating results and use of cash for a given quarter.

Our operating results may also fluctuate due to a variety of other factors, both within and outside of our control and which we may not foresee, or which we may foresee but not effectively manage, including the changing and volatile domestic and international economic environments, and demand for our products in general and from any particular vertical which may

be a target market for our products. Such factors may cause our operating results and stock price to fluctuate. In addition to other risks listed in this "Risk Factors" section, factors that may affect our operating results include:

- fluctuations in demand for our products and services, including seasonal variations, especially in the education vertical where purchasing in the United States has typically been stronger in the second and third quarters and weakest in the first and fourth quarters, and where purchasing at any time may depend on the availability of funding, including fluctuations based on the timing and availability of funding for schools under the Federal Communications Commission's ("FCC") E-Rate program and the decisions of schools to defer purchases in anticipation of the availability of such funding or due to a decision to delay product deployments;
- our ability to forecast and provide guidance to our investors and industry analysts regarding our revenue and operating results in any particular period, or to achieve results consistent with the guidance we provide;
- our ability to control operating expenses in order to achieve non-GAAP operating profitability in any particular quarterly period;
- our ability to hire, train, develop, integrate and retain a sufficient number of skilled sales and engineering employees to support our continued growth, including, specifically, in Silicon Valley, and to replace turn-over of our employees in these functions and location;
- the complexity, length and associated unpredictability of our sales cycles for our products and services;
- changes in end customers' budgets for technology purchases and delays in their purchasing decisions and cycles;
- technical challenges in end-customer networks, which may be unrelated to our products, and which could delay adoption and installation and impact the operation of our products and purchases of our services;
- delay in development and availability of component parts, and volatility in the pricing for such parts, needed for development and timely introduction of our next-generation products and product features and continued availability of legacy products at volumes we need to meet demand;
- our ability to develop, increase and sustain sales capacity and effective sales execution across all our sales territories;
- changes in the competitive dynamics of our target markets, including new entrants, further consolidation and pricing trends which suggest commoditization of certain product segments;
- variation in sales channels, product costs, prices or the mix of products we sell;
- our contract manufacturers' and component suppliers' ability to meet our product demand forecasts on time, at acceptable prices and requested volumes, or at all, particularly with respect to our newer products;
- our ability to develop and make more productive relationships with our channel and strategic partners, including specifically Dell and Juniper Networks, and such partners' ability to effectively develop sales opportunities for us and distribute our products;
- the timing of product releases or upgrades by us or by our competitors, such as next-generation products or product features;
- our ability to successfully expand the suite of products we sell and services we offer to existing end customers and channel partners, to timely introduce and effectively manage new product introductions and transition both of existing products and operating platforms and our end customers to these new products and services, including timely transition of our end customers to HiveManager and our Connect offering, and to limit disruption to our end customers' ordering practices and the pricing environment for our legacy products and services while maintaining levels of revenue, gross margin and operating performance which we or our investors and analysts expect;
- our transition to a channel-focused "Go-to-Market" selling model and our ability to maintain levels of revenue growth our investors and analysts may expect through this transition;
- our ability to identify and attract new customers for our products, while maintaining relationships with our existing customers, which is necessary to continued future revenue growth;
- the potential need to record additional inventory reserves for products that may become obsolete or slow-moving due to our new product introductions, changes in end customer requirements, new competitive product or service offerings or our over-estimation of demand for such products as of any particular period;
- our decision to continue investing in sales, marketing, engineering and other activities in response to changes in the marketplace or perceived marketplace opportunities or in anticipation of or to position us for future growth;
- our ability to control costs, including our operating expenses and the costs of the components we purchase while continuing to derive benefits from our investments in sales, marketing, engineering and other activities;

- periods of continuing strength of the U.S. dollar relative to the currencies of the countries of our distributors or end customers who purchase our products, or of our contract manufacturers or the component suppliers to our contract manufacturers, which may require us to reduce pricing for our products outside the United States in order to maintain sales and revenue performance, or raise the cost we must pay to our manufacturers for our products, resulting in either case in lower revenue and/or gross margins for those products;
- volatility in our stock price, which may lead to higher stock compensation expenses or harm our ability to effectively attract, incentivize and retain our employees using stock-based compensation;
- the ability of our competitors, including those with greater financial resources, to introduce new products, product features and services more quickly and in response to end customer demand and to drive down pricing on our products and services, which could materially reduce our revenue and gross margins;
- our ability to achieve as of any particular period or over time a level of financial performance consistent with the expectations of our investors and industry analysts; and
- general economic or political conditions in our domestic and international markets, including, specifically, in Europe, where the determination of the United Kingdom to exit the European Union has dampened economic activity and growth in the market for our product, or globally, where trade conditions and/or the introduction of tariffs or other barriers to trade, could increase the cost to us of component parts or of our products to our end customers.

The effects of these factors, individually or in combination, create unpredictability in our operating results, our ability to forecast those results and our ability to achieve those forecasts. As a result, you should not rely on our past results as an indication of our future performance and comparing our operating results on a period-to-period basis, or anticipating our future results based on our public forecasts, may not be meaningful. This variability and unpredictability could also result in our failing to meet the expectations of our investors or financial analysts for any period. We may release guidance in our quarterly earnings conference calls, quarterly earnings releases, or otherwise, based on management predictions, which are necessarily speculative in nature. Our guidance may vary, and has varied, materially from actual results. For example, on January 16, 2018, we announced preliminary revenue results for our fourth quarter of fiscal year 2017, which was below the revenue outlook we had provided for the period in November 2017. We believe that different factors contributed to our disappointing revenue result in the period. For example, we believe poor sales execution issues were primarily responsible for our revenue short-fall in the fourth quarter of our fiscal year 2017. If our revenue or operating results, or the rate of growth of our revenue or operating results, fall below the expectations of our investors or financial analysts, or below any forecasts or guidance we may provide to the market, or if the forecasts we provide to the market are below the expectations of analysts or investors, the price of our common stock could decline substantially. Such a stock price decline could occur even when we have met our own or other publicly stated revenue or earnings forecasts. Our failure to meet our own or other publicly stated revenue or earnings forecasts, or even when we meet our own forecasts but fall short of analyst or investor expectations, could cause our stock price to decline and expose us to costly lawsuits, including securities class action suits. For example, purported class action law suits were filed in January 2018 asserting that statements we made in conjunction with our financial outlook for the fourth quarter of 2017 were false or misleading, or failed to include material information. See Note 5 - Commitments and Contingencies in this Quarterly Report on Form 10-Q for additional information regarding these class action law suits. These suits and other potential such litigation against us could impose substantial costs and divert management's attention and resources.

Our results are subject to quarterly seasonal variances, which make it difficult to compare or forecast our financial results on a quarter-by-quarter basis.

Our revenue fluctuates on a seasonal basis, which affects the comparability of our results between periods. For example, our total revenue has historically decreased from our fourth quarter to the first quarter of our next fiscal year due to seasonal buying patterns and budget cycles within both our education vertical and general enterprise end customers. Demand in the education vertical tends to be weakest in the first and fourth quarters. However, we also historically have seen a sequential increase in end-of-year purchases by enterprise customers in our fourth quarter, which we believe is mainly due to an expectation to complete purchases within their calendar-year budget cycle. These seasonal variations are difficult to predict accurately and at times may be entirely unpredictable or subject to our operating performance in any particular period. Our ability to sustain that expansion in subsequent quarters, particularly in our less-developed sales territories, or where we have experienced recent turn-over, introduces additional risk into our business and our ability to accurately provide our own publicly stated revenue and earnings forecasts. In addition, we rely upon forecasts of end customer demand to build inventory in advance of anticipated sales. We believe our seasonal business pattern has become more difficult to predict, making it more difficult for us to forecast product demand, inventory requirements and our financial results, including on a quarter-to-quarter basis. Moreover, part of our strategy is to increase our sales in non-education verticals, and if the mix of products we sell in any particular period changes the seasonal nature of our revenue may change in an unpredictable way, which could increase the volatility of both our financial results and stock price.

The market and demand for our products and services may not develop as we expect.

Our revenue decreased 9% from 2016 to 2017. Historically, our revenue has grown. However, this rate of growth has been slowing over the last several years, and this slowing rate of our revenue growth may continue, and may even be negative, as it did for our fiscal year 2017. As the general demand for wireless networking in the industry verticals that we target, or demand for our products in particular, slows, our revenue may also grow at a slower rate than we anticipate or not at all.

Part of our strategy depends upon expanding sales of our cloud-managed wireless networking, switching and routing products to medium and large enterprise headquarters, branch offices and teleworkers. We intend to continue to direct resources to improve HiveManager as the basis for data services and data analytics applications. Sales of such products, services and applications to enterprise end customers typically require long sales cycles and are subject to price sensitivity. Moreover, many potential end customers in the enterprise market have substantial network expertise and experience, which may require a more-costly and sophisticated marketing and sales strategy. It is unclear whether our end customers will pay for data analytics or other SaaS services we expect to provide or, instead, require us to provide them as enhancements to our support offerings (at no cost to them or incremental revenue to us).

In January 2017, we announced HiveManager Connect, a simplified version of HiveManager included as part of our new Aerohive Connect product line designed for customers with less complex connectivity-oriented requirements. Under the Aerohive Connect program, customers may purchase access points with a simplified version of HiveManager, and community/email-based customer support, at lower list prices. Aerohive Connect customers can expand their Connect deployment, as needed, and can add subscriptions or licenses to upgrade to our full-featured Select offering and premium support services. Our Aerohive Connect and Select offerings are available across our entire portfolio of access points and switches. We believe that separating our product line into these two offerings will deliver compellingly priced cloud-managed hardware for connectivity-oriented deployments and will enable us to capture more subscription and software license revenue from those customers who require a more advanced feature set and support. This program may reduce our revenue, or the rate of our revenue growth, as purchasers take advantage of the lower entry pricing for our products. In addition, it is unclear whether our customers will choose the simplified Connect product offering, even at the lowest list prices offered, as an alternative to our current offering, or whether we will be able to manage the transition amongst our customers and in our market to our Connect offering.

In addition, the rate at which shipments of our Connect business convert to revenue differs significantly from shipments of our Select business. It is difficult for us to predict for any period the mix of Connect and Select shipments. As such, even if we accurately forecast the total shipments for our products and services, the ultimate mix between Connect and Select shipments can lead to a significantly different revenue we will recognize in the period which could bring volatility and uncertainty to our operating results. The third quarter of our fiscal year 2017 was the first full quarter that our customers could choose between these two offerings. We believe that this difficulty to predict the specific mix of Connect and Select shipments during the quarter added uncertainty to our operating results for this quarter.

Furthermore, if our competitors offer services or provide technologies or application platforms superior to our current cloud-managed platform, or the new products and services we introduce, alone or as part of a more-integrated offering or at reduced pricing, it would have a material adverse effect on our business, operating results and financial condition. As a result, demand for our products, services and applications may not continue to develop as we anticipate, or at all. In addition, if new customers do not purchase our Connect products, or having purchased our Connect products they do not also purchase subscriptions to our Select offering, or if our existing customers migrate toward Connect products without also continuing to purchase our Select services and support offerings, in each case at all or at the levels greater than we assume, our overall revenue, operating performance and margins could decline, perhaps significantly, making more difficult our ability to demonstrate growth and achieve profitability at expected revenue levels, and the value of our stock could decline.

A significant portion of our sales is concentrated in the education vertical, which may cause us to have longer sales cycles, and be subject to program funding uncertainties and constraints.

A significant portion of our revenue is concentrated in the education vertical. The majority of our sales in education is concentrated in both public and private K-12 institutions. This vertical is characterized by long sales cycles and often requires additional sales efforts. In addition, this vertical typically operates on limited budgets, and depends on annual budget approvals, which add additional uncertainty to the sales cycle. For example, the U.S. federal government is providing supplemental funding to local school districts in conjunction with its E-Rate initiative to assist districts to upgrade their technical infrastructure, including Wi-Fi infrastructure. The announced incremental federal funding is significant and available over a five-year period, which began in the second half of 2015. However, this program continues to be subject to uncertainty regarding its eligibility criteria, the timing and specific amount of federal funding actually available during each annual funding cycle, and federal program guidelines and funding appropriations, each of which can change from year-to-year. Corresponding funding appropriation by respective states and local districts is also uncertain and, even upon such appropriation, local districts

must still then submit and have approved applications consistent with the final timing and eligibility requirements of the federal program for that annual funding cycle. We also believe that the prospect of federal funding available each annual cycle continues to cause some K-12 institutions to delay or defer near-term transactions they might otherwise make during the cycle to purchase our products.

The United Service Administrative Company ("USAC"), experienced significant administrative challenges during 2016, and 2017 E-Rate cycles, causing the pace of release of approved funds and resulting availability of those funds to schools to continue to be significantly reduced. For example, the Federal Communications Commission publicly acknowledged USAC's continuing management of the E-Rate program by letter dated April 18, 2017, noting serious and persistent flaws in critical E-Rate processes which have caused persistent delays in funding commitments to schools and libraries. We believe that the significantly slower pace of E-Rate funding and other operation program execution issues were the primary drivers of our weaker-than-expected order volume and lower revenue performance from our educational vertical in recent quarters. We expect these delays, deferrals and lower levels of E-Rate-funded transactions to continue during 2018. These are specific examples of the many factors which add additional uncertainty to our future revenue from our educational end customers.

Our sales cycles often require significant time, effort and investment and are subject to risks relating to our operating performance.

Our sales efforts can take several quarters, and involve educating our potential customers about the applications and benefits of our products, including the technical capabilities of our products and associated applications and services, and recruiting and developing our channel partners. We may experience slower-than-expected sales productivity or poor sales execution in certain territories, especially in those where we experience turn-over. We continue to invest in these territories, but such further investment may take significant time and effort in order to realize growth. In addition, poor sales execution may reduce our revenue performance in 2018, as it did in our fourth quarter of our fiscal year 2017. For example, we changed our sales leadership in November 2017 and made additional personnel and other changes in our sales organization as we continued to identify underlying sales execution issues which became fully apparent in the last month of the fourth quarter. As we respond to turn-over or transition personnel in response to poor execution, newly hired personnel may also require several quarters to gain experience and develop their territories before achieving capacities we have assumed in our sales forecasts. This may slow in those regions our ability to maintain our rate of new customer acquisitions. Sales to the education vertical are an important channel for us, and can involve an extended sales cycle. In addition, sales to our enterprise customers may also involve an extended sales cycle, and often initial purchases are small. Purchases of our products are also frequently subject to our end customers' budget constraints, multiple approvals, unplanned administrative processing and other risks and delays. Such end customers, in particular larger enterprise customers, also may hesitate to place orders with us, instead preferring our larger and longer-established competitors. In addition, the evolving nature of the market may lead prospective end customers to postpone their purchasing decisions pending resolution of wireless networking or other standards, or wait for adoption of technology developed by others.

We need to develop new products and continue to make enhancements to our existing products to remain competitive in a rapidly changing market.

The technology and end customer demand in the wireless networking market change rapidly, which requires us to continuously develop and release new products and product features and associated applications and services. We must continuously anticipate and adapt to our end customers' needs and market trends, and continue to make investments to develop or acquire new products, applications and services that meet market demands, technology trends and regulatory requirements. If our competitors introduce new products, applications and services that compete with ours, we may be required to reposition our product offerings or introduce new products in response to such competitive pressure. We may also offer products and services, and/or combinations thereof at lower price points in order to broaden our penetration in the enterprise market.

Developing our products is challenging and involves substantial commitment of resources and significant development risk. Each phase in our product development presents serious risks of failure, rework or delay, any one of which could impact the timing and cost-effective development of products, and each of which could affect our ability to take advantage of a business opportunity or could jeopardize end customer acceptance of the product. Compared to our larger and longer-established competitors, our ability to develop and timely deliver new products and product functionality is limited. We also have experienced in the past and may in the future experience design, manufacturing, marketing and other difficulties that could delay or prevent the development, introduction or marketing of new products and enhancements. For example, we are currently bringing to market our family of next-generation Wi-Fi products, including our .11ax, SD-WAN and SD-LAN portfolio of products, and our HiveManager cloud-services platform providing cloud-delivered network management applications and on-premises network management, as well as supporting data structures, analytics and APIs. We also have announced programs to develop new data analytics services and API and security platforms. In early 2018 we announced our A3 secure access management and authentication product, Aerohive Atom AP30 pluggable access point and development of a family of

enterprise-class 802.11ax access points. These are complex technical undertakings and subject to many variables and risks of delay.

If we fail to develop new products, product enhancements applications or services, or fail effectively to manage the introduction of or transition of our end customers to these new products, product enhancements, applications or services, or our end customers or potential end customers do not perceive our products, product enhancements, applications or services to have compelling technical or cost-based advantages, our business and prospects could be adversely affected, particularly if our competitors are able to introduce solutions at lower prices and/or with increased functionality. In addition, our introduction of new or enhanced products requires that we carefully manage the transition from older products to minimize disruption in customer ordering practices, and ensure that new products can be timely delivered to meet our end customers' demand and to limit inventory obsolescence. For example, in January 2017, we announced HiveManager Connect, a simplified version of HiveManager included as part of our new Aerohive Connect product line designed for customers with less complex connectivity-oriented requirements. Under the Aerohive Connect program, customers may purchase access points with a simplified version of HiveManager, and community/email-based customer support, at lower list prices. Aerohive Connect customers can expand their Connect deployment, as needed, and can add subscriptions or licenses to our full-featured Select offering and premium support services. In May 2017, we announced that our Aerohive Connect and Select offerings are available across our entire portfolio of access points and switches. We believe that separating our product line into these two offerings will deliver compellingly priced cloud-managed hardware for connectivity-oriented deployments and enables us to capture more subscription and software license revenue from those customers who require a more advanced feature set and support. This program may reduce our revenue, or the rate of our revenue growth, as purchasers take advantage of the lower entry pricing for our products. In addition, it is unclear whether new customers will purchase our Connect products, or having purchased our Connect products will also purchase subscriptions to our Select offering, or whether our existing customers will continue to purchase our Select services and support offerings, in each case at all or at the levels we assume. If our customers, both new and existing, choose the simplified and lower-priced Connect product offering, as an alternative to our Select offering, we could see a shift in the mix of these product offerings, thus reducing overall revenue, gross margins and ability to achieve profitability.

Further, after delivering new products we may identify and must then timely address performance issues as the products are used in the field in a particular environment or at a scale which we could not replicate or did not anticipate during development. For example, we believe that we introduced our new HiveManager product to some of our larger and more complex customers before its feature set was able fully to address their requirements, which resulted in elongated sales cycles and reduced revenue opportunities, which specifically contributed to our lower revenue performance in the fourth quarter and our outlook for the first quarter of our fiscal year 2017. We believe that the lengthier sales cycle associated with our HiveManager offering, and its impact on our revenue opportunities and operating results, continued through 2017. Our end customers may also defer decisions to purchase our existing products in anticipation of our expected release of a next-generation product. We also may not correctly anticipate customer interest in or demand for new products and offerings, such as our A3 secure access management and authentication product, Aerohive Atom AP30 pluggable access point and family of enterprise-class 802.11ax access points, as well as our data analytics services or API and security platforms, or our customers may expect that we provide these additional services as part of our existing product support (and at no cost to them or incremental revenue to us). If we do not carefully manage the timing of our new products or product feature releases, and effectively support the new products and product feature releases, we could interfere with our end customers' purchases and disrupt the pricing environment for our new and legacy products, which could drive down our revenues and operating margins.

As a result of these and other risks, we may not be successful in modifying our current products or introducing new products in a timely or appropriately responsive manner, or at all. If we fail to address these changes successfully, our business and operating results and prospects would be materially harmed.

Our gross margin will vary over time and may decline in the future.

Our gross margin was 67.4%, 67.3% and 66.1% for fiscal years 2017 and 2016, and for the six months ended June 30, 2018, respectively. Our gross margin will vary over time, may be difficult to predict and may decline in future periods. Our gross margin also varies across our product lines and, therefore, a change in the mix of products our end customers purchase in any period would likely have a significant impact on our overall gross margin in the period. During periods where our subscription and support services and deferred revenue we recognize if the quarter may disproportionately contribute to our overall revenue mix our overall gross margins for the period may similarly exceed our public guidance or internal forecasts. This may be true even where our gross margins from product revenue may be declining, whether due to competitive product or pricing pressures or our end customers choosing lower-priced products, including our own, such as our Connect offering.

When the exchange rate of the U.S. dollar relative to foreign currencies is strong, we may reduce pricing for our products outside the United States in order to maintain sales and revenue performance, or incur higher manufacturing costs, each of which would lower gross margins for those products.

The market for wireless networking products is also characterized by rapid innovation and declining average sales prices as products mature in the market place. Even if we are successful in launching new products, competition may continue to increase in the market segments in which we compete, which would likely result in increased pricing competition. To retain our average gross margin, we are required to continuously update our products and introduce new products and reduce our manufacturing costs and expenses, and we could fail to accomplish this. In addition, the sales prices for our products and services may decline for a variety of reasons, including sales strategy, competitive pricing pressures, customer demand, discounts, a change in the mix of products and services we sell, including seasonal changes in our end customers' ordering practices, anticipation of the introduction of new products or services and decisions by end customers to defer purchases, or promotional programs. Larger competitors, such as Cisco/Meraki, Hewlett-Packard/Aruba, Arris/Ruckus, Ubiquiti, Extreme Networks, Riverbed/Xirrus and Huawei, each with significantly greater financial, sales, and engineering resources and/or more diverse product and service offerings, may reduce the price of their products or services that compete with ours or may bundle them with other products and services. If we do not similarly reduce our product manufacturing costs, or if we reduce our prices for such products or services in order to remain competitive, our gross margin and revenue will decline. Any such declines in our gross margins or revenue could have an adverse impact on the value of our common stock.

As a result of being a public company, we need to further develop and maintain our internal control over financial reporting. If our internal control over financial reporting is not effective, it may adversely affect investor confidence in our company.

We are required, pursuant to Section 404 of the Sarbanes-Oxley Act ("SOX"), to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting, which would include a disclosure of any material weaknesses our management identifies in our internal control over financial reporting.

We continue to develop our system and documentation necessary to perform the evaluation needed to comply with Section 404. We may not be able to complete on an annual and ongoing basis our evaluation, testing and any required remediation in a timely fashion. During the evaluation and testing process, if we identify one or more material weaknesses in our internal control over financial reporting, we will be unable to assert that our internal controls are effective. Further, our independent registered public accounting firm is not required to report on the effectiveness of our internal control over financial reporting until the later of the year following our first annual report required to be filed with the SEC, or the date we are no longer an "emerging growth company," as defined by the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act") which will be commencing with our Annual Report on Form 10-K for the fiscal year ending December 31, 2019. At such time, our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our controls are documented, designed or operating. To comply with the requirements of SOX, we are undertaking various actions, such as implementing new controls and procedures and utilizing internal and external resources. We have consumed and will continue to consume management resources and incur incremental expenses for SOX compliance on an ongoing basis.

We cannot be certain that we will not discover, or that we will timely discover, material weaknesses or control deficiencies in the future. If our remediation efforts are not successful or other material weaknesses or control deficiencies occur in the future, we may be unable to report our financial results accurately or on a timely basis, which could cause our reported financial results to be materially misstated and result in the loss of investor confidence or delisting of trading of our common stock on the New York Stock Exchange, or cause the trading price of our common stock to decline. If we are unable to conclude that our internal control over financial reporting is effective or, if our independent registered public accounting firm is unable to express an opinion on the effectiveness of our internal controls when it is required to do so by the applicable rules, we could lose investor confidence in the accuracy and completeness of our financial reports, which could cause the price of our common stock to decline, and we may be subject to investigation or sanctions by the SEC. We would also be in violation of certain covenants under our debt facilities, which could accelerate payment obligations and/or increase our borrowing costs significantly.

In order to generate revenue growth, we must service our existing customers while also continuing to identify and secure revenue from new customers.

A substantial portion of our revenue is from existing end customers. However, our revenue growth depends on our ability to identify and secure new customers who will provide additional revenue going forward. As such, our future revenue may also be negatively impacted by lower new-customer-acquisition levels in earlier periods. We believe our rate of customer acquisition slowed in fiscal years 2016 and 2017 as we began to transition our customers to new products and platforms. For

example, we introduced our new HiveManager product to some of our larger and more complex customers before its feature set was able to fully address their requirements. We believe this resulted in elongated sales cycles and reduced revenue opportunities, and also contributed to lower new-customer-acquisition levels. We believe changes in our sales organization and turn-over or transition of personnel slowed our ability to maintain our rate of new customer acquisitions. Lower customer-acquisition rates in prior periods has contributed to lower current rates of revenue growth, which we believe may continue to affect for several quarters our ability to generate revenue growth. We primarily look to our channel partners to identify and secure new customer opportunities. Unless we are able, through these partnerships, to increase our rate of customer acquisition, our rate of revenue growth and future actual revenue performance may fall short of investor expectations and analyst forecasts, which would cause the price of our stock to decline.

Our products utilize cloud-managed solutions, and our future growth relies in significant part in continued demand for cloud-managed solutions and our ability to develop and deliver such services.

Most of our end customers utilize our cloud-managed networking platform to access our applications through the Internet, rather than access our application through a physical device or virtual machine that our end customers host on their premises. As our business grows, we must increase the capacity of our cloud-managed solutions and continue to develop new and innovative solutions that meet the needs of our end customers. Demand for our cloud-managed solutions could decline if we are not able to offer sufficient capacity or if confidence in the security of cloud-managed solutions in general, or our platform in particular, were to decline. In addition, a significant feature of our platform will increasingly be the ability to collect and analyze user data through applications specific to particular industry vertical and use cases. Regulatory changes in the U.S. and internationally relating to the use of end customer data, including requirements relating to data privacy and security, or shifting societal norms regarding data privacy and security, could affect market demand for, and our ability to deploy, our platform. Moreover, although our end customers do not immediately lose network functionality if cloud-connectivity fails, if our ability to deliver services through the cloud were interrupted repeatedly or for an extended period, our reputation could be damaged and confidence in our platform would likely decline, causing our revenue to decline.

We plan to target new industry verticals and geographies to diversify our end customer base and expand our channel relationships, which could result in higher research and development and sales and marketing expenses, and which may not be successful and could reduce our operating margin.

Part of our strategy is to target new industry verticals and geographies. We currently focus a significant portion of our business on the education, hospitality and retail verticals, and to a lesser extent on finance and healthcare, which may depend on developing new products targeted to such sectors. Specifically, we intend to invest in the development of data applications and analytics capabilities which we feel may be attractive to our end customers, particularly in the retail vertical. In addition, we also plan to continue to expand to additional countries beyond those in which we currently operate. We also intend to invest in existing and new channel relationships to reach additional end customers to further diversify our revenue base. Targeting new industry verticals and geographies and developing customized products, data applications and partnerships, including channel partners targeting these industry verticals and geographies, may be expensive, require us to attract, train, develop, integrate and retain qualified employees and key sales personnel, and increase our research and development costs, as well as our sales and marketing expenditures. We may need to develop new product features or target new market segments, which could divert resources and attention from our existing products and target markets. We must also further develop and make more productive relationships with our channel partners and our channel partners' ability to effectively market, distribute and support our products, which require specific investments and additional dedicated resources. Because we have limited experience in developing and managing such channels and markets, we may not be successful in further penetrating certain geographic regions or reaching a broader customer base. Failure to develop or manage additional sales channels effectively would limit our ability to succeed in these markets and could adversely affect our ability to grow our business.

We announced in April 2015 a new relationship with Dell, whereby Dell became a reseller of Aerohive's Wi-Fi and cloud services and in November 2017 that, we had entered an OEM agreement which significantly expanded the scope of our resale relationship with Dell. We announced in June 2018, a global partnership with Juniper Networks, whereby Juniper can sell our cloud-managed Wi-Fi solution, including our family of .11ax access points and HiveManager cloud platform. In February 2016, we announced a partnership with SYNEX Corporation, as a distributor of our products in the United States and Canada. To support these and other relationships, we will need to continue to identify and invest in additional and dedicated resources and, potentially, new product, service and support offerings, which could distract management's attention and divert existing resources from our current business. We do not know if we will be successful in any of these efforts, or whether the level of success we achieve will justify the additional spending and specific investments and dedicated resources required. In addition, increasing the significance to us of Dell as a channel partner, including through broader partner relationships, could undermine the success of our other channel partners. For example, through our OEM relationship, Dell may have access to favorable pricing or integrated product offerings which may give them an advantage in identifying and securing customer opportunities. This could cause our product margins and associated revenue to decrease. Our other channel partners may also be less willing

to continue to invest in and dedicate resources toward the marketing, distribution and support for our products, which could reduce the associated revenue we receive from them and our revenue overall.

It will also take time for us to fully realize the benefits from our continued channel relationships, including with Dell, in particular, as we negotiate the transition from a reseller to an OEM relationship. In addition, we cannot be certain that these partners, such as Dell, will continue to invest in the success of our partnership or, instead, choose to direct their resources to other partnerships, including potentially with our competitors. For example, in February 2018 Ruckus Wireless announced that it had signed an OEM agreement with Dell whereby Dell will also become a reseller of Ruckus' portfolio of wireless solutions. If our channel partners fail to effectively market, distribute and support our products, or if our channel strategy, or particular channel partner initiatives or investments, such as with Dell or others we may identify, are otherwise unsuccessful, our revenue performance and operating margin would be harmed, which could adversely affect the value of our common stock.

We base our inventory purchasing decisions on our forecasts of customers' demand, and if these forecasts are inaccurate our revenue, gross margin and liquidity could be harmed.

We place orders with our manufacturers based on our forecasts of our end customer demand. We base our forecasts on multiple assumptions, including internal and channel partner sales forecasts, each of which may cause our estimates to be inaccurate, affecting our ability to fulfill demand for our products. When demand for our products increases significantly, we may not be able to meet demand on a timely basis, or we may incur additional expediting costs to assure we meet demand. If we underestimate demand, we may forgo revenue opportunities, lose market share and damage our reputation and our relationship with our channel partners and our end customer relationships. Conversely, if we overestimate demand, we may purchase more inventory than we are able to sell at any given time, or at all, which would increase our reserves and risk of potential write-offs.

Our distributors stock inventory of our products, and are entitled in certain circumstances to stock rotation rights, which could cause us to accept the return of products and expose us to the risks of higher costs.

We grant our distributors stock rotation rights, which could require us to accept stock back from a distributor's inventory under certain circumstances. Under certain agreements, a distributor may have or retain a right to return a portion of products which the distributor purchased, typically within the prior six months. We typically recognize revenue upon shipment to the end customer; however, if we are required to accept returns of obsolete or slower-moving inventory, our costs would increase and our operating results could be harmed. If our forecasts were inaccurate we could have higher costs, lower revenue or otherwise suffer adverse financial consequences, including holding or having to write-off the value of obsolete or slower moving inventory.

We outsource the manufacturing of our products to third parties, and we therefore do not have the ability to completely control quality over the manufacturing process. In addition, if our contract manufacturers refuse or are unable to manufacture our products, we may be unable to qualify new manufacturers in a timely manner, which would result in our being unable to sell our products.

We outsource the manufacturing of our products to third-party original design manufacturers located in China and Taiwan, where they perform quality inspections, and conduct reliability tests, before they ship finished products to our warehouse centers for managing inventory and delivery logistics located in the U.S., the Netherlands, Malaysia and China. We operate these logistics centers currently for all end customer shipments, whether destined to locations in North, South and Central America (the "Americas"), Europe, the Middle East and Africa ("EMEA"), or Asia Pacific and Japan ("APAC").

Our reliance on these third-party manufacturers reduces our control over the manufacturing process and exposes us to risks, including reduced control over quality assurance, product costs, product supply and timing of product availability. Any manufacturing or shipping disruption by these third parties could severely impair our ability to fulfill orders. If we are unable to manage effectively our relationships with these third parties, or if these third parties suffer delays, manufacturing disruptions or volatility in component pricing or availability, experience increased manufacturing lead-times, capacity constraints or quality control problems in their manufacturing operations, or fail to meet our future requirements for timely delivery and quality purposes, for any reason, our ability to ship products to our end customers would be severely impaired and our reputation and our relationship with our channel partners and end customers would be seriously harmed. Additionally, labor unrest or disruption to trade or the expected movement of our product could delay delivery of our products by third parties, or by us to our channel partners and end customers, which could significantly delay revenue or increase our costs and in ways we cannot currently anticipate. Any natural disaster, political instability, disruption in labor or foreign relationships could also disrupt our relationships with our manufacturers or delay their ability to timely deliver our products.

Our original design manufacturers typically fulfill our supply requirements on the basis of individual orders. We also do not have long-term contracts with our third-party manufacturers that guarantee capacity, the continuation of particular pricing

terms or the extension of credit limits. Accordingly, our third-party manufacturers are not obligated to continue to fulfill our supply requirements, which could result on short notice to us of supply shortages and increases in the prices we are charged for manufacturing services. In addition, as a result of global financial market conditions, natural disasters, labor disruption, uncertain trade or political environment, or other causes, it is possible that any of our manufacturers could experience interruptions in production, cease operations, impose on us additional costs or otherwise alter our current arrangements. If our manufacturers are unable or unwilling to continue manufacturing our products in required volumes, or on current or acceptable terms and prices, we will be required to identify one or more acceptable alternative manufacturers. In addition, we may reduce orders with our design manufacturers in response to volatile market conditions or fluctuating demand for our products. Lower order levels for our products, in particular which continue over several quarters, may cause our manufacturing partners to increase their manufacturing costs to us, shift their resources to other partners or discontinue their partnership with us.

It is time-consuming and costly, and could be impractical, for us to begin to use new manufacturers, and changes in our third-party manufacturers may cause significant interruptions in supply if the new manufacturers have difficulty manufacturing products to our specification. As a result, our ability to meet our scheduled product deliveries to our end customers could be adversely affected, which could cause the loss of sales to existing or potential end customers, delayed revenue or an increase in our costs. We also do not currently require all our manufacturers to maintain and demonstrate robust disaster recovery capabilities. Any production interruptions for any reason, such as due to a contractual disagreement, natural disaster, epidemic, capacity shortages or quality problems, at one of our manufacturers would negatively affect sales of our product lines manufactured by that manufacturer and adversely affect our business and operating results.

Our manufacturing partners purchase component parts for our products based on estimates we provide, which may not be accurate. In addition, our manufacturing partners purchase some of the components and technologies used in our products from a single source or a limited number of sources. If our estimates were to be inaccurate, or if our manufacturing partners were to lose any of these sources as suppliers, we might incur additional transition costs, resulting in delays in the manufacturing and delivery of our products, excess or obsolete inventory, or the need to redesign our products.

We rely on our manufacturing partners to select and source the component parts within our products. We do not choose or contract directly with the component parts providers and do not have manufacturing contracts that guarantee us any fixed access to such component parts, or at specific pricing. This absence of any relationship between us and the component suppliers or direct and long-term component supply contracts may increase the risk of issues relating to the quality, performance, operability or cost of such component parts and our exposure to shortages of component availability and to price fluctuations related to the raw material inputs for such components, foreign exchange adjustments and other factors.

Moreover, we currently depend on a single source or limited number of sources for several components for our products. For example, each of our products typically incorporates third-party components that have no more than two suppliers. In some instances, we may have a sole source for critical components, such as semiconductor chip sets or other components critical to product functionality. We have also recently seen consolidation amongst component manufacturers, in particular of semiconductor chip set suppliers, and rises in component prices and more restrictive component availability as a result. If our manufacturing partners were unable to obtain such components for any reason, or on a limited basis or at increased prices, they would be unable to manufacture such product at all, or in the quantities we need or at pricing we expect, and in order to secure such components, at all or as needed to meet our customer requirements, we may have to pay higher prices (thus, reducing our gross margins). For example, industry demand for basic components, such as multi-layer ceramic components essential for manufacturer of much of our hardware, has recently risen significantly relative to supply, and associated costs has risen and availability become more restrictive and uncertain. We expect this condition to continue for some period and increase such component costs and delay availability to us, perhaps significantly. We have also entered into license agreements with some of our suppliers for technologies used in our products, and the termination of these agreements, which can generally be done on relatively short notice, could have a material adverse effect on our access to these technologies and, thus, on our business. Termination of these agreements could also make technology used in or developed for our products available to our competitors. If any of those manufacturing agreements was terminated, we could experience significant supply disruptions and be required to redesign some of our products in order to incorporate technology from alternative sources, and any such termination of the agreement, disruption in supply and redesign of certain of our products could materially and adversely affect our business and operating results. Volatility and unpredictability in the level of business we provide to our manufacturing partners could also cause them to divert resources and attention to other business partners, including our competitors, who can provide a greater or more dependable level of business to support their operations.

We have not currently identified and qualified other sources for certain of our components. If we lose any of our existing suppliers or licensors we could be required to transition to a new supplier or licensor, which could increase our costs, result in delays in the manufacturing and delivery and increase in the cost of our products or cause us to carry excess or obsolete inventory. Poor quality and delays in availability of any of the components in our products, including especially those with limited or sole sourcing, could also result in lost sales or lost sales opportunities. If the quality of the components does not

meet our or our end customers' requirements, if we are unable to obtain components from our existing suppliers on commercially reasonable terms, or if any of our limited or solely sourced component suppliers ceases to remain in business or to continue to manufacture such components, we could be required to redesign our products in order to incorporate components or technologies from alternative sources. The resulting stoppage or delay in selling our products and the expense of securing and qualifying alternative sources or redesigning our products could result in significant manufacturing and development costs, delayed or lost sales opportunities and damage to customer relationships, which would adversely affect our reputation, business and operating results. For example, in August 2015, we announced that our AP250 and AP245X access points, which were our initial Wave 2 access point products, would not be commercially available until early 2016. This delayed release was due to delays in the products' development and the availability to us of a component part essential to our development and release of the products. Such as with the AP250 and AP245X access points, limited availability in component parts may affect the ability of our manufacturing partner and component suppliers to timely deliver sufficient quantities of a product to meet our demand and sales forecasts. There is a risk that existing or potential customers (including customers in our important education vertical) may elect not to purchase our products or defer purchases they otherwise would make of our products.

We rely upon third parties for the warehousing and delivery of our products, and we therefore have less control over these functions than we otherwise would.

We outsource the warehousing and delivery of all of our products to third-party logistics providers for worldwide fulfillment. As a result of relying on third parties, we have reduced control over shipping and logistics. Any shipping delays, disruptions or mismanagement by these third parties could severely impair our ability to fulfill orders. For example, at the end of our first quarter of fiscal year 2015, a third-party logistics provider was not able to ship product and, as a result, we were not able to take revenue in the quarter on all the orders that we had received and processed. If we are unable to have our products shipped in a timely manner, we may suffer reputational harm, and lose revenue.

We rely significantly on channel partners to sell and support our products, and the failure of this channel to be effective could materially reduce our revenue.

Our channel partners consist primarily of distributors, VARs and an OEM. We believe that establishing and maintaining successful relationships with these channel partners are, and will continue to be, important to our financial success. Recruiting and retaining qualified channel partners and training them in our technology and product offerings require significant time, resources and investment. Additionally, we need to recruit and develop different qualified channel partners for different geographic regions and markets. To develop and expand our channel, we must continue to scale and improve our processes and procedures that support our channel partners, including investment in systems and training. Additionally, we will increasingly focus our resources and attention on those channel partners best able to help us meet our growth expectations. As a result, the total number of our channel partners over time may decline.

Existing and future channel partners will only work with us if we are able to provide them with competitive products at prices and on terms that are attractive to them. If we fail to maintain the quality of our products or to update and enhance them, and at reasonable pricing, existing and future channel partners may elect to work instead with one or more of our competitors. We are in the process of reviewing and redirecting our internal sales and marketing activities and investments to support a channel-focused "Go-to-Market" strategy.

We sell to our channel partners typically under a contract with an initial term of one or three years, with one-year renewal terms, based on compliance with our program requirements. Our contracts generally require payment by the channel partner to us within 30 to 45 calendar days of the date we issue an invoice for such sales. We typically do not have minimum purchase commitments from our channel partners, and our contracts with channel partners do not prohibit them from offering products or services that compete with ours, including products they currently offer or may develop in the future and incorporate into their own systems. Some of our competitors may have stronger relationships with our channel partners than we do and we have limited control, if any, as to whether those partners use our products, rather than our competitors' products, or whether they devote resources to market and support our competitors' products, rather than our offerings.

For example, we announced in April 2015 a new relationship with Dell Inc., whereby Dell became a reseller of Aerohive's Wi-Fi and cloud services, and in November 2017, that we had an OEM agreement which significantly expanded the scope of our resale relationship with Dell. We announced in June 2018, a global partnership with Juniper Networks, whereby Juniper can sell our cloud-managed Wi-Fi solution, including our family of .11ax access points and HiveManager cloud platform. In February 2016, we announced a partnership with SYNnex Corporation as a distributor of our products in the United States and Canada. To support these and other relationships, we are continuing to identify and invest in additional and dedicated resources and, potentially, new product, service and support offerings. In addition, we have cannot be certain that these partners, such as Dell, will continue to invest in the success of our partnership or, instead, choose to direct their resources to other partnerships, including potentially with our competitors. In addition, increasing the significance to us of Dell as a

channel partner, including through broader partner relationships, could undermine the success of our other channel partners. For example, through our OEM relationship, Dell may have access to favorable pricing or integrated product offerings which may give them an advantage in identifying and securing customer opportunities. This could cause our product margins and associated revenue to decrease. Our other channel partners may also be less willing to continue to invest in and dedicate resources toward the marketing, distribution and support for our products, which could reduce the associated revenue we receive from them and our revenue overall.

It will take time for us to fully realize the benefits from our continued channel relationships, including with Dell, in particular as we negotiate the transition from a reseller to an OEM relationship. In addition, we cannot be certain that these partners, such as Dell, will continue to invest in the success of our partnership or, instead, choose to direct their resources to other partnerships, including potentially with our competitors. For example, in February 2018 Ruckus Wireless announced that it had signed an OEM agreement with Dell whereby Dell will also become a reseller of Ruckus' portfolio of wireless solutions. If our channel partners fail to effectively market, distribute and support our products, or if our channel strategy, or particular channel partner initiatives or investments, such as with Dell or others we may identify, are otherwise unsuccessful, our revenue performance and operating margin would be harmed, which could adversely affect the value of our common stock.

Our products are subject to U.S. export controls; where we fail to comply with these laws, we could suffer monetary or other penalties.

Our products are subject to U.S. export controls, specifically the Export Administration Regulations, and economic sanctions enforced by the Office of Foreign Assets Control. We incorporate standard encryption algorithms into our products, which, along with the underlying technology, we may export outside of the United States only with the required export authorizations, including by license, license exception or other appropriate government authorizations. Each of these authorizations may require us to file an encryption registration and classification request. Furthermore, U.S. export control laws and economic sanctions prohibit the shipment of certain products and services to countries, governments and persons targeted by U.S. sanctions. We take precautions to prevent our products and services from being exported in violation of these laws and, in many instances, we rely on our channel partners, in particular our distributor, VAR and MSP partners, to assure compliance when selling, distributing and/or using our products outside the United States. In certain instances, we have shipped encryption products prior to obtaining the required export authorizations and/or submitting the required requests, including a classification request and request for an encryption registration number. As a result, we previously filed a Voluntary Self Disclosure with the U.S. Department of Commerce's Bureau of Industry and Security concerning these violations. In January 2018, we provided a voluntary disclosure to the U.S. Customs and Border Protection service relating to the value of merchandise we imported to the United States relating to the manufacture of certain of our products. A repeat of these past instances could result in monetary or other penalties assessed against us. Additionally, even though we take precautions to ensure that our channel partners comply with all relevant regulations, any failure by our channel partners to comply with such regulations could have negative consequences for us, including reputational harm, government investigations and penalties and interruptions in our ability to distribute and sell our products.

Furthermore, various countries regulate the import of certain encryption technology and operation of our products, including through import permitting, certification and licensing requirements, and have enacted laws that could limit our ability to distribute our products or our end customers' ability to operate our products in those countries, or could impose additional expense on us to meet these requirements as a condition to distribute our products. Encryption products and the underlying technology may also be subject to export control restrictions. Governmental regulation of encryption technology and regulation of imports or exports of encryption products, or our failure to obtain required import or export approval for our products, when applicable, could harm our international sales and adversely affect our revenue. Compliance with applicable regulatory laws and regulations regarding the export or import of our products, including with respect to new releases of our products, may create delays in the introduction of our products in international markets, prevent our end customers with international operations from deploying our products throughout their globally distributed systems or, in some cases, prevent the export or import of our products to some countries altogether.

In addition, because our sales are made through channel partners, if these channel partners fail to obtain appropriate import, export or re-export licenses or authorizations, we may also be adversely affected, including potentially being liable for penalties under government restrictions and regulations, even where the channel partner failed to obtain the appropriate licenses or authorizations. Obtaining the necessary authorizations, including any required license, for a particular sale may be time-consuming, is not guaranteed and may result in the delay or loss of sales opportunities. Changes in our products or changes in applicable export or import laws and regulations may also create delays in the introduction and sale of our products in international markets, prevent our end customers with international operations from deploying our products or, in some cases, prevent the export or import of our products to certain countries, governments or persons altogether. Any change in export or import laws and regulations, shift in the enforcement or scope of existing laws and regulations, or change in the countries,

governments, persons or technologies targeted by such laws and regulations, could also result in decreased use of our products, or in our decreased ability to export or sell our products to existing or potential end customers with international operations. Any decreased use of our products or limitation on our ability to export or sell our products could adversely affect our business, financial condition and results of our operations.

U.S. export control laws and economic sanctions programs also prohibit the shipment of certain products and services to targeted countries, governments and persons that are subject to U.S. economic embargoes and trade sanctions. If we or our channel partners ship products to those targets or third parties provide our products to these targets, we could be subject to government investigations, penalties and reputational harm. Furthermore, any new embargo or sanctions program, or any change in the countries, governments, persons or activities targeted by such existing programs, could result in decreased use of our products, or in our decreased ability to export or sell our products to existing or potential end customers, which could adversely affect our business and our financial condition.

Regulations related to conflict minerals may cause us to incur additional expenses and could limit the supply and increase the costs of certain metals used in the manufacturing of our products.

As a public company, we are subject to the requirements under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") to diligence, disclose and annually report whether our products contain conflict minerals. The implementation of these requirements could adversely affect the sourcing, availability and pricing of the materials used in the manufacture of components used in our products. We have incurred and will continue to incur additional costs to comply with the disclosure requirements, including costs related to conducting diligence procedures to determine the sources of conflict minerals that may be used in or necessary to the production of our products and, if applicable, potential changes to products, processes or sources of supply as a consequence of such verification activities, and we expect to incur additional costs in the future to comply with these disclosure requirements. We do not choose or contract directly with the component parts providers and do not have contracts with these component parts suppliers. We rely, instead, on our manufacturing partners to select, source, diligence and report to us the component parts within our products. This absence of any relationship between us and the component suppliers makes significantly more difficult our ability to determine and report whether our products contain conflict minerals. Consequently, we may face reputational harm if our channel partners incorrectly determine or report whether certain of our products contain minerals not determined to be conflict-free or if we are unable to alter our products, processes or sources of supply to avoid use of such materials.

Our products incorporate complex technology and may contain defects or errors. We may become subject to warranty claims, product returns, product liability and product recalls as a result, any of which could cause harm to our reputation, impose costs and increase expenses, expose us to liability and adversely affect our business.

Our products incorporate complex technology and must support a wide variety of devices and new and complex applications in a variety of environments that use different wireless networking communication industry standards. Our products have contained, and may contain in the future, undetected defects or errors or may not perform as we expect in certain environments. We may discover some errors in our products only after a product has been installed and used by end customers. These issues are most prevalent when we introduce new products into the market or, once introduced, when the products experience significant loads in actual use environments or at scale which we could not create or did not anticipate during development. We have delayed and may in the future delay the introduction of our new products due to such defects and errors. Since our products contain components that we purchase from third parties, we also expect our products to contain latent defects and errors from time to time related to those third-party components.

Defects and errors may also cause our products to be vulnerable to security attacks. The techniques used by computer hackers to access or sabotage networks are becoming increasingly sophisticated, change frequently and generally are not recognized until after they have been launched against a target. As we increasingly collect, store, analyze, use and transmit data, and provide data analytics solutions to our end customers, these risks become more significant to us. We may be unable to anticipate these techniques or provide a solution in time to protect our and our end customers' networks. In addition, we might not be able to timely develop and provide updated products and software to our end customers, thereby leaving our end customers vulnerable to attacks. Finally, if our employees, or others who have access to end customer data, misuse this information, our reputation would be harmed and we could be subject to claims for damages.

Real or perceived defects or errors in our products could result in claims to return product or that we reimburse losses that our end customers or channel partners sustain and we may be required, or may choose for customer or partner relations or other reasons, to expend additional resources in order to help correct the problem, including incurring additional warranty and repair costs, process management costs and costs associated with remanufacturing our inventory. We typically offer a limited warranty on our Wi-Fi access points and other products. We also provide certain service commitment guarantees for our cloud-managed platform, pursuant to which our end customers may receive service credits in connection with service outages.

Liability limitations in our standard terms and conditions of sale may not be enforceable under some circumstances or may not fully or effectively protect us from claims and related liabilities and costs. In addition, regardless of the party at fault, errors of these kinds which would divert the attention of our engineering personnel from our product development efforts, damage our reputation and the reputation of our products, cause significant customer relations problems, and can result in product liability claims. We do not maintain insurance which would protect against many of these types of claims associated with the use of our products. Even where claims ultimately are unsuccessful we may have to expend funds in connection with litigation, including on behalf of our end customers and channel partners, and divert management's time and other resources. We also may incur costs and expenses relating to a recall of one or more of our products. The process of identifying and recalling products that have been widely distributed may be lengthy and require significant resources, and we may incur significant replacement costs, contract damage claims from our end customers and channel partners and significant harm to our reputation. The occurrence of any of these problems could result in substantial costs to us and the delay or loss of market acceptance of our products and could adversely impact our business, operating results, reputation and financial condition.

The loss of key personnel or an inability to attract, retain and motivate qualified personnel may impair our ability to expand our business.

Our success substantially depends on the continued service and performance of our senior management team and other key personnel, including, in particular, David K. Flynn, who is our Chief Executive Officer. Our employees, including our senior management team, are at-will employees and, therefore, may terminate employment with us at any time with no advance notice. The loss of members of our senior management team or other key personnel, whether through resignation, illness, disability or death, our failure to attract replacement personnel, as needed, or the transition of newly hired senior management may significantly delay or prevent us from achieving our business objectives. In addition, if any of our executives or other key employees were to join a competitor or form a competing company, we could lose customers, suppliers, know-how and key personnel, and our business and product strategies and capabilities could be at risk and subject to disclosure, including to our competitors.

Our future success also depends on our ability to continue to attract, integrate and retain highly skilled personnel, especially skilled executives and sales and engineering employees. We have experienced in the past higher-than-normal turn-over, especially amongst our sales personnel, and continue to replace personnel where we think needed to improve our operations and product development capabilities and processes. We also continue to replace personnel as part of our ongoing performance and expense management initiatives. Turn-over is highly disruptive to our operations and has had and could continue to have an adverse effect on our revenue. In addition, competition for highly skilled personnel is frequently intense, especially in Silicon Valley, where we maintain our headquarters and a substantial operating and sales presence. Compensation for new and existing employees has been increasing significantly of late. In particular employees in Silicon Valley, increasing our operating expenses (and thus reducing our operating margins). Volatility or lack of performance in our stock price may also affect our ability to attract and retain our key employees. The lack of performance in our stock price may affect our ability to attract new employees or retain existing employees by decreasing the perceived value of any stock-based compensation we may offer or they may hold. Prolonged periods of low performance or volatility in our stock price could negatively impact our appeal as an employer, harm employee morale or increase employee turnover, including amongst our Silicon Valley and China-based employees. Any failure to successfully attract, integrate or retain qualified personnel to fulfill our current or future needs may negatively impact our growth. Also, to the extent we hire personnel from our competitors, we may be subject to allegations that we have improperly solicited these employees, that they have divulged to us proprietary or other confidential information of their former employers, or that their former employers own their inventions or other work product. This may expose us to significant liability and litigation risk.

Our ability to sell our products is highly dependent on the quality of our support offerings, and our failure to offer high quality support would have a material adverse effect on our sales and results of operations.

Once our products are deployed, our end customers depend on our support organization and support our channel partners provide to resolve any issues relating to our products. Our support delivery organization comprises employees in various geographic locations and an outside service provider, which provides general technical support to our end customers. A high level of support is important for the successful marketing and sale of our products. If we do not effectively help our end customers quickly resolve issues or provide effective ongoing support, it would adversely affect our ability to sell our products to existing end customers as well as demand for continued support and renewal contracts, and could harm our reputation with existing and potential end customers.

We are subject to complex and evolving U.S. and foreign laws and regulations regarding privacy, data protection and other matters and violations of these complex and dynamic laws, rules and regulations may result in claims, changes to our business practices, monetary penalties, increased costs of operations, and/or other harms to our business.

A wide variety of provincial, state, national and international laws and regulations apply to the collection, use, retention, protection, disclosure, transfer and other processing of data, including personal data. Foreign data protection, privacy and other laws and regulations are often more restrictive than those in the United States. These data protection and privacy-related laws and regulations are varied, evolving, can be subject to significant change, may be augmented or replaced by new or additional laws and regulations, and may result in ever-increasing regulatory and public scrutiny and escalating levels of enforcement and sanctions. The European Union, for example, has adopted various directives regulating data protection, privacy and security and the collection, storage, analysis, use and transmission of content using the Internet involving European Union residents, including those directives known as the Data Protection Directive, the E-Privacy Directive, and the Privacy and Electronic Communications Directive. The European Union may adopt similar directives and regulations in the future.

The European Union model has been replicated substantially or in part in various jurisdictions outside the U.S., including in certain Asia-Pacific Economic Cooperation countries. Changes in European Union data protection regulations, including the General Data Protection Regulation ("GDPR") have introduced new and additional operational requirements for companies that receive personal data, which also have included significant additional compliance requirements and increased penalties for non-compliance. For example, the GDPR, which became fully effective on May 25, 2018, superseded existing European Union data protection laws. The GDPR includes more stringent operational requirements for companies processing European Union personal data, and imposes significant penalties for non-compliance. Further, some countries may require separate and local storage and processing of data that could limit certain of our product applications and solutions and increase the cost and complexity of selling our solutions or maintaining our business operations in those jurisdictions. California has also introduced broad rules, which may or may not anticipate and be consistent with rules expected to be adopted by our federal government. Our introduction of new data platforms, applications and solutions or expansion of our activities in certain jurisdictions may subject us to additional laws and regulations. For instance, participation in the federal E-Rate funding program may subject us to additional privacy and data use restrictions under U.S. federal, state, and local laws and regulations relating to the processing of data relating to students or children.

The application and interpretation of these laws and regulations are often uncertain, particularly in the new and rapidly evolving industry in which we operate, and these laws and regulations may be interpreted and applied inconsistently from within a country or country to country, and inconsistently with our current policies and practices, and may be contradictory with each other. Additionally, various federal, state, and foreign regulatory or other governmental bodies may issue rulings that invalidate prior laws, regulations, or legal frameworks in manners that may adversely impact our business. For example, the Court of Justice of the European Union in October 2015 issued a ruling invalidating the EU-U.S. Safe Harbor Framework, which facilitated personal data transfers to the U.S. in compliance with applicable European Union data protection laws. The U.S. and EU have implemented a replacement for the EU-U.S. Safe Harbor Framework (known as the EU-U.S. Privacy Shield), but the EU-U.S. Privacy Shield has been subject to challenge and some regulatory uncertainty remains regarding the future of data transfers from the European Union to the U.S. Also, in June 2016, the United Kingdom held a referendum and voted in favor of leaving the European Union, and in March 2017, the government of the United Kingdom formally initiated the withdrawal process, which has created uncertainty with regard to the regulation of data protection in the United Kingdom. A Data Protection Bill has been introduced to the United Kingdom's House of Lords that proposes to substantially implement the European Union's General Data Protection Regulation. Nevertheless, the Data Protection Bill must complete the legislative process, so it remains unclear what modifications will be made to the final legislation. In addition to government regulation, privacy advocacy and industry groups have adopted and are considering the adoption of various self-regulatory standards and codes of conduct that, if applied to our, our partners or our end customers' businesses, may place additional burdens on us and our partners and end customers, which may further reduce demand for our products, data platforms, applications and solutions and harm our business.

Our failure to comply with all applicable privacy and data protection laws, regulations, standards, and codes of conduct, as well as our own privacy policies and contractual commitments to the extent possible, could result in enforcement actions against us, including fines, imprisonment of company officials and public censure, claims for damages by end customers and other affected individuals, demands that we modify or cease existing practices, damage to our reputation and loss of goodwill (both in relation to existing and prospective end customers), any of which could have a material adverse effect on our operations, financial performance and business. Privacy and data protection regulators within the United States, the European Union and other jurisdictions have the power to fine non-compliant organizations significant amounts and seek injunctive relief, including the cessation of certain data processing activities. The GDPR provides for European Union regulators to be able to impose fines in some cases of the greater of €20 million or 4% of a company's worldwide annual sales. Such fines are in addition to the rights of individuals to sue for damages in respect of any data privacy breach which has caused them to suffer

loss. Such actions against our partners, including third-party providers of data analytics services, could also affect our operating performance, including demand for our products and cloud-managed solutions, and if these or other third-party vendors violate applicable laws or our policies, such violations may also put our end customers' information at risk and could in turn have a material and adverse effect on our business. Additionally, there is a risk that failures in systems designed to protect private, personal or proprietary data we may hold will allow such data to be disclosed to or seen by others, resulting in potential regulatory investigations, enforcement actions or penalties, remediation obligations and/or private litigation by parties whose data were improperly disclosed. There is also a risk that we could be found to have failed to comply with U.S. or foreign laws or regulations regarding the collection, storage, handling, analysis, use, transfer, or disposal of such privacy, personal or proprietary data, or consent to the same, which could subject us to fines or other sanctions, as well as adverse reputational impact.

Evolving and changing privacy and data protection laws, regulations and societal norms, including evolving and changing definitions of personal data and personal information, within the United States, European Union, and elsewhere, especially relating to classification of IP addresses, MAC addresses, machine identification, location and tracking, data analytics and other information, may limit or inhibit our ability to operate or expand our business, including limiting our product and data application development and our strategic partnerships that may involve the collection, storage, handling, analysis, use, transfer or disposal of end-user data, thus reducing our and our stockholders' opportunity to benefit from the significant investments we are making in these areas. Even the perception of privacy concerns, failures to secure data, or inadequate data protection, whether valid and whether owing to any action or inaction on our part, may harm our reputation and inhibit adoption of our products, applications and services by current and future end customers.

Our international operations expose us to additional business risks and failure to manage these risks may adversely affect our international revenue.

We derive a significant portion of our revenue from end customers and channel partners outside the United States. For the six months ended June 30, 2018 and 2017, we attributed 42% and 32% of our revenue to our international end customers and channel partners. As of June 30, 2018, approximately 46% of our full-time employees were located outside of North America, with 28% located in China. We expect that our international activities will be dynamic over the foreseeable future as we continue to pursue opportunities in international markets, which will continue to require significant management attention and our financial investment. In addition, the United States and other countries have recently engaged in counter-vailing trade sanctions and tariffs, both on goods imported to United States and goods we may export from the United States to other countries. In retaliation, various countries are considering export regulations and other regulatory or contractual limitations, such as import, technical and other certification requirements and restrictions on our ability to sell or develop our products in certain foreign markets.

Given the extent of our international operations, we are subject to other inherent risks and our future results could be adversely affected by a number of other factors, including:

- regulatory requirements or preferences for domestic products, which could reduce demand for our products;
- differing technical standards, existing or future regulatory and certification requirements and required product features and functionality;
- management communication and integration problems related to entering new markets with different languages, cultures, commercial practices and political systems;
- difficulties in enforcing contracts and collecting accounts receivable, and longer payment cycles, especially in emerging markets;
- heightened risks of unfair competition or corrupt business practices in certain geographies and of improper or fraudulent sales arrangements that may impact financial results and result in restatements of, and irregularities in, our financial statements;
- difficulties and costs of staffing and managing foreign operations, and retaining key personnel;
- differing labor standards;
- the uncertainty of protection for our intellectual property rights and the enforceability of our rights and third-party rights in some countries;
- potentially adverse tax consequences, including regulatory requirements regarding our ability to repatriate profits to the United States;
- uncertainties and instability in economic and market conditions following the decision of the United Kingdom to withdraw from the European Union;

- added legal compliance obligations and complexity, including complying with varying local labor, compensation and tax and securities laws as well as specific and evolving local requirements regarding data protection;
- foreign currency exchange risk;
- the increased cost of terminating employees in some countries; and
- political and economic instability and terrorism.

To the extent, we continue to expand our business globally, our success will depend, in large part, on our ability to effectively anticipate and manage these and other risks and expenses associated with our international operations. Political instability and uncertainty in the European Union and, in particular, Britain's recent decision to exit the European Union has slowed economic growth and created significant economic disruption and uncertainty in the region, which could continue to discourage near-term economic activity, including delay decisions to purchase Aerohive products. We believe this has had a significant and continuing impact of our expected revenue from our European operations, as the terms and circumstances of Britain's exit and its impact on other countries of the European Union are resolved. Our failure to manage any of these risks timely and successfully could harm our international operations and reduce our international sales, and business generally, adversely affecting our business, operating results and financial condition.

Our operations in certain emerging markets expose us to political, economic and regulatory risks.

Our growth strategy depends in part on our ability to expand our operations in emerging markets, including Asia Pacific, the Middle East and Africa, and Latin America. However, some emerging markets have greater political, economic and currency volatility, and greater vulnerability to infrastructure and labor disruptions than more-established markets. In many countries outside of the United States, particularly those with emerging economies, it may be common for others to engage in business practices prohibited by laws and regulations with extraterritorial reach, such as the U.S. Foreign Corrupt Practices Act ("FCPA"), the U.K. Bribery Act, or other local anti-bribery laws. These laws generally prohibit companies and their employees, contractors or agents from making improper payments to government officials, including in connection with obtaining permits or engaging in other actions necessary to do business. Failure to comply with these laws could subject us to civil and criminal penalties that could materially and adversely affect our reputation, financial condition and results of operations.

For example, under the FCPA, U.S. companies may be held liable for the corrupt actions taken by employees, strategic or local partners, or other representatives. Under the FCPA, we and our channel partners are required to maintain accurate books and records and a system of internal accounting controls. As such, if we or our intermediaries fail to comply with the requirements of the FCPA or similar legislation outside the United States, governmental authorities in the United States and elsewhere could seek to impose civil or criminal fines and penalties, which could have a material adverse effect on our business, operating results and financial conditions. While our employee handbook and other policies prohibit our employees from engaging in corrupt conduct, we do not yet have in place compliance measures and training to require both our employees and our third-party intermediaries to comply with the FCPA and similar anticorruption laws.

Establishing operations and distribution partners in these emerging markets may also require complex legal arrangements and operations to deliver services on global contracts for our end customers. Because of our limited experience with international operations and developing and managing sales and distribution channels in international markets, our international expansion efforts may not be successful. Additionally, we have established operations in locations remote from our more developed business centers. As a result, we are subject to heightened risks inherent in conducting business internationally, including the following:

- failure to comply with local regulations or restrictions;
- enactment of legislation, regulation or restriction, whether by the United States or in the foreign countries, including unfavorable labor regulations, tax policies or economic sanctions (such as potential economic sanctions arising from political disputes), and currency controls or restrictions on the transfer of funds;
- enforcement of legal rights or recognition of commercial procedures by regulatory or judicial authorities in a manner in which we are not accustomed, would not reasonably expect or with which we could reasonably comply;
- differing technical and environmental standards, data protection and telecommunications regulations and certification requirements, which could prevent the import, sale or use of our products or SaaS offerings in such countries;
- difficulties and costs associated with staffing and managing foreign operations;
- potentially longer payment cycles and greater difficulty collecting accounts receivable;
- the need to adapt and localize our services for specific countries, including conducting business and providing services in local languages;

- reliance on third parties over which we have limited control, such as our VARs, distributors, OEM partner or their resellers or agents, for marketing and reselling our products and solutions;
- availability of reliable broadband connectivity and wide area networks in areas we target for expansion;
- difficulties in understanding and complying with local laws, regulations, and customs in foreign jurisdictions or unanticipated changes in such laws;
- application of or changes in anti-bribery laws, such as the FCPA and UK Bribery Act, which may disrupt our staffing or ability to manage our foreign operations;
- changes in political and economic conditions leading to changes in the business environment in which we operate, as well as changes in foreign currency exchange rates;
- sanctions restricting local commercial activity, including retaliatory actions by local governments; and
- natural disasters, pandemics or international conflict, including terrorist acts or labor or political disputes, which could interrupt our operations or endanger our personnel.

In addition, our competitors may also expand their operations in these markets or others we may also target, and low-cost local manufacturers may also expand and improve products and their production capacities, thus increasing competition in these emerging markets. Our success in emerging markets is important to our growth strategy. If we cannot successfully increase our business in emerging markets and manage associated political, economic, regulatory and currency volatility, our product sales, financial condition and results of operations could be materially and adversely affected.

We conduct substantial R&D operations in China; risks associated with a business presence in China could negatively affect our business and results of operations.

We operate a large research and development center in Hangzhou, China, which subjects us to a number of risks relating to China's political and legal systems, including:

- uncertainty regarding the validity, enforceability, scope and ability to protect and secure our intellectual property rights and the practical difficulties or enforcing such rights;
- extensive government regulation; and
- an uncertain legal system.

Any actions and policies taken or adopted by the government of the People's Republic of China, particularly with regard to our intellectual property, products and legal rights, could have an adverse effect on our business, results of operations and financial condition. For example, development in China or by entities supported by the China government of competing products or technologies using our intellectual property could significantly erode the market or pricing for our products. In addition, actions or policies to incorporate technical capabilities into our products, without our knowledge or permission or the appearance or threat of the same, could undermine product or data security features of our products. Whether any such actions or policies actually exist, or have been effected, the fact of a significant research and development presence in China could expose our products and data and security offerings to government or market scrutiny regarding the integrity of our product or data security features. Any of the foregoing could similarly discourage the purchase or use of our products and cause significant harm to our reputation in the market.

We could be subject to additional income tax liabilities.

We are subject to income taxes in the United States and numerous foreign jurisdictions. We use significant judgment in evaluating our worldwide provision for income taxes, which could be adversely affected by several factors, many of which are outside our control. During the ordinary course of business, there are many transactions for which the ultimate tax determination is uncertain. For example, our effective tax rates could be adversely affected by earnings being lower than we anticipate in countries that have lower statutory rates and higher than we anticipate in countries that have higher statutory rates, by changes in foreign currency exchange rates, by changes in the valuation of our deferred tax assets and liabilities, or by changes in the relevant tax, accounting and other laws, regulations, principles and interpretations, including possible changes to the U.S. taxation of earnings of our foreign subsidiaries, the deductibility of expenses attributable to foreign income or the foreign tax credit rules. We are subject to audit in various jurisdictions, and such jurisdictions may assess additional income tax against us as well as penalties and fines. As we operate in multiple taxing jurisdictions, the application of tax laws can be subject to diverging and sometimes conflicting interpretations by tax authorities of these jurisdictions. The time and expense necessary to defend and resolve a tax audit may be significant. Although we believe our tax estimates are reasonable, the final outcome of tax audits and any related litigation could be materially different from our historical income tax provisions and

accruals and may have a material effect on our operating results or cash flows in the period or periods for which we make such determination.

Our international operations and corporate structure subject us to potential adverse tax consequences.

We generally conduct our international operations through wholly owned subsidiaries and report our taxable income in various jurisdictions worldwide based upon our business operations in those jurisdictions. Our intercompany relationships are subject to complex transfer pricing regulations administered by taxing authorities in various jurisdictions. The relevant taxing authorities may disagree with our determinations as to the income and expenses attributable to specific jurisdictions. If such a disagreement were to occur, and our position not sustained, we could be required to pay additional taxes, interest and penalties, which could result in one-time tax charges, higher effective tax rates, reduced cash flows and lower overall profitability of our operations. We may not have adequate reserves to cover such a contingency.

In the future, we may reorganize our corporate structure or intercompany relationships, which would likely require us to incur expenses in the near term for which we may not realize related benefits, at all or within a reasonable period, to justify the expense. Changes in domestic and international tax laws, including enacted legislation to reform U.S. taxation of international business activities, may negatively impact our ability to effectively restructure, or reduce the benefits we expected from such corporate restructuring. Any such restructuring would likely involve sophisticated analysis, including analysis of U.S. and international tax regimes. Compliance with such laws and regulations may be difficult and expensive and subject our business to additional risks, costs and uncertainties.

Our ability to use our net operating losses to offset future taxable income may be subject to certain limitations.

As of December 31, 2017, we had federal and state net operating loss carryforwards (NOLs) of \$122.2 million and \$75.3 million, respectively, due to current and prior period losses. In general, under Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"), a corporation that undergoes an "ownership change" (generally defined as a greater than 50-percentage-point cumulative change (by value) is subject to limitations on its ability to utilize its pre-change NOLs to offset post-change taxable income. Our existing NOLs may be subject to limitations arising from previous ownership changes, and if we undergo an ownership change in the future, our ability to utilize NOLs could be further limited by Section 382 of the Code. Future changes in our stock ownership, some of which may be outside of our control, could result in an ownership change under Section 382 of the Code.

On December 22, 2017, the U.S. government enacted new tax legislation commonly referred to as The Tax Cuts and Jobs Act (TCJA). The TCJA makes broad and complex changes to the U.S. tax code including changes to the uses and limitations of net operating losses. Specifically, the TCJA imposes an 80% limitation on the use of net operating losses that were generated in tax years beginning after December 31, 2017. As such, we may not be able to utilize a material portion of the NOLs.

Taxing authorities may successfully assert that we should have collected or in the future should collect sales and use, value-added or similar taxes, and we could be subject to liability with respect to past or future sales, which could adversely affect our results of operations.

We do not collect sales and use, value-added or similar taxes in all jurisdictions in which we have sales, based on our belief that such taxes are not applicable. Sales and use, value-added and similar tax laws and rates vary greatly by jurisdiction. Certain jurisdictions in which we do not collect such taxes may assert that such taxes are applicable, which could result in tax assessments, penalties and interest, and we may be required to collect such taxes in the future. Such tax assessments, penalties and interest or future requirements could be significant and may adversely affect the results of our operations.

We must improve our infrastructure to manage our growth, which could involve significant costs and could, if not properly managed, harm our operating results.

To manage any future growth effectively we must continue to improve and expand our information technology and financial and administrative infrastructure, our operating systems and administrative controls and our ability to manage headcount, capital and processes in an efficient manner. For example, we continue to evaluate upgrades to our existing business processes and systems to better manage licensing, renewals and order processing, and to transition to a global distribution platform. Such new processes and systems may significantly improve our transaction efficiency and ability to scale our revenue and operating performance, including through an ability to track, timely identify and manage increasing volumes of product, license and renewal opportunities and transactions. We may not be able to successfully implement improvements to these systems and processes in a timely or efficient manner, which could result in additional operating inefficiencies and lost business opportunities and associated revenue, and could cause our costs to increase more than planned. If we do increase our operating expenses in anticipation of the growth of our business and this growth does not meet our expectations, at all or

sufficiently to justify the expense, our operating results may be negatively impacted. If we are unable to manage future expansion, our ability to develop and deliver high quality products and services and securely process increased transaction volumes could be harmed, which could damage our reputation and brand and impede expected growth, and any of which may have a material adverse effect on our business, operating results and financial condition.

Our business and operating results could be adversely affected by unfavorable economic and market conditions.

Our business depends on the overall demand for wireless network technology and on the economic health and general willingness of our current and prospective end customers to purchase our products. The conditions in the United States and global economies are volatile and if they deteriorate our business, operating results and financial condition may be harmed. In particular, we do not know whether spending on wireless network technology will increase or decrease in the future, or at what rate.

Investments in technology by educational institutions in particular could be related to budgetary constraints unrelated to overall economic conditions, or may be magnified by unfavorable economic conditions. The purchase of our products or willingness to replace existing infrastructure are discretionary and highly dependent on a perception of continued rapid growth in consumer usage of mobile devices and, in many cases, involve a significant commitment of capital and other resources. In addition, our small and medium enterprise end customers may also be more sensitive to adverse economic conditions than other potential customers, which could amplify the adverse impact of a deterioration of economic conditions. Therefore, weak economic conditions, uncertain availability of government funding, or a reduction in capital spending would likely adversely impact our business, operating results and financial condition. A reduction in spending on wireless network technology could occur or persist even if economic conditions improve.

In addition, if interest rates rise or U.S. dollar foreign exchange rates weaken for our international end customers and channel partners, overall demand for our products and services could decline and related capital spending may be reduced. For example, when the exchange rate of the U.S. dollar to foreign currencies is strong, the price of our products outside the United States may become less competitive, reducing our sales or requiring us to lower pricing for our products outside the United States in order to maintain sales and revenue performance (thus also reducing our gross margins). Furthermore, any increase in the U.S. dollar-value of worldwide commodity prices may result in higher component prices for us and increased manufacturing and shipping costs, each of which may negatively impact our financial results.

U.S. and global political, credit and financial market conditions may negatively impact or impair the value of our current portfolio of cash, cash equivalents and short-term investments, including U.S. treasury securities and U.S.-backed investment vehicles.

Our cash, cash equivalents and short-term investments were \$87.6 million as of June 30, 2018, which we held as money market funds, U.S. treasury securities, commercial paper and investment-grade corporate debt securities with Moody's and S&P ratings of A-/A3 or better. As a result of the uncertain domestic and global political, credit and financial market conditions, investments in these types of financial instruments pose risks arising from liquidity and credit concerns. Any deterioration in the U. S. and global credit and financial markets could cause losses or significant deterioration in the value of our cash, cash equivalents or possible investments. If any such losses or significant deteriorations occur, it may negatively impact or impair our current portfolio of cash, cash equivalents and possible investments, which may affect our ability to fund future obligations. Further, it may be difficult for us to liquidate our investments prior to their maturity without incurring a loss, which would have a material adverse effect on our business, operating results and financial condition.

System security risks, data security incidents and cyber-attacks could compromise our or our end customers' information including proprietary information and end customer information and disrupt our internal operations, which could cause our business and reputation to suffer and adversely affect our stock price.

In the ordinary course of business, we store sensitive data, as well as our proprietary business information and that of our end customers, suppliers and business partners. The secure maintenance of this information, and our ability to protect our network from interruption or damage from unauthorized entry, computer viruses or other events beyond our control, is critical to our operations, and business strategy, reputation and, ultimately, our success as a business and value to our investors. While we believe we use certain proven applications designed for data security and integrity, we are in the process of developing an information security program. Despite the implementation of security measures, our infrastructure or systems may be vulnerable to hackers, computer viruses, worms, malware, ransomware or other malicious software programs or similar disruptive problems caused by our customers, employees, consultants or other Internet users who attempt to invade public and private data networks. For example, we and many other companies were notified in October 2017 of a vulnerability in the protocol that secures all-protected Wi-Fi networks, which would enable an attacker to exploit weaknesses using key reinstallation attacks (the "KRACK Attack").

Increasingly, companies are subject to a wide variety of attacks on their networks on an ongoing basis. Our information technology and infrastructure may be vulnerable to persistent threats, penetration or attacks by computer programmers and hackers, software bugs or other technical malfunctions, or other disruptions. Due to our business model and the location of some of our development centers, we have faced and are likely to face threats that target both our internal systems and our products and data analytics solutions, which, in turn, may threaten our end customers' networks, devices, applications and data. In addition, our employees could breach our data security measures and misuse such data or other information, whether through error or misconduct. Any such data security incident, whether external or internal in origin, could compromise our networks, including our cloud-managed platform, creating system disruptions or slowdowns and exploiting security vulnerabilities of our products, and the information stored on our networks could be improperly accessed, publicly disclosed, lost or stolen, which could subject us to liability to our end customers, suppliers, channel and business partners and others, and cause us reputational and financial harm. Additionally, an effective attack on our systems, products or data analytics solutions could disrupt their proper functioning, allow unauthorized access to sensitive, proprietary or confidential information of ours or of our end customers, disrupt or temporarily interrupt customers' networking traffic, or cause other destructive outcomes, including the theft of information sufficient to engage in fraudulent financial transactions or compromise other sensitive information. Because the techniques used by computer programmers and hackers, many of whom are highly sophisticated and well-funded, to access or sabotage networks change frequently and generally are not recognized until after they are used, we may be unable to anticipate or immediately detect these techniques. This could delay our response or the effectiveness of our response and impede our sales, manufacturing, distribution or other critical functions and ability to limit our exposure to third-party claims and potential liability. If any of these types of data security incidents were to occur or to be believed to have occurred, or if we were unable to timely respond to protect sensitive data or other proprietary or non-public data, our relationships with our business partners and end customers could be materially damaged, our reputation and brand could be materially harmed, use of our solutions could decrease, and affected partners, end customers or government authorities could initiate legal or regulatory action against us in connection with such incidents, which could cause us to incur significant expenses and liability or could result in orders, judgments, or consent decrees forcing us to modify our business practices. The risk that these types of events could seriously harm our business is likely to increase as we expand the number of web-based products and data analytics solutions we offer, and as we operate in more countries.

In addition, if an actual or perceived data security incident occurs in our network or in the network of a partner or an end customer of one of our products and data analytics solutions (particularly our cloud-based offerings), regardless of whether the incident is attributable to our products and data analytics solutions, the market perception of the effectiveness of our products and data analytics solutions could be harmed. We may also be required to expend significant financial and operational resources in an effort to secure our systems and our and our partners' or customers' data from security threats and hazards. Further, real or perceived defects or errors in our products and data analytics solutions (particularly in our cloud-based offerings, due to cloud-based offerings sometimes being perceived as being inherently less secure) could result in claims by channel partners and end customers for losses that they sustain, including potentially losses resulting from data security incidents affecting our systems, our end customers' networks and/or downtime of those networks. If channel partners or end customers make these types of claims, we may be required, or may choose for customer relations or other reasons, to expend additional resources in order to help correct the problem, including warranty and repair costs, process management costs, and costs associated with re-manufacturing our inventory and to respond to and resolve litigation and regulatory claims. The economic costs to us to eliminate or alleviate cyber or other security problems, bugs, viruses, worms, malware, ransomware or malicious software systems and security vulnerabilities and claims could be significant and may be difficult to anticipate or measure because the damage may differ based on the identity and motive of the programmer or hacker, which may be difficult for us to identify.

Undetected software errors or flaws in our cloud platform could harm our reputation or decrease market acceptance of our solution, which would harm our operating results.

Our platform may contain undetected errors or defects when introduced or as we release new versions. We have experienced these errors or defects in the past in connection with new releases and solution upgrades, and we expect that we or others will find errors or defects from time to time in future releases, even after we release them commercially. Since our end customers may use our platform for security and compliance reasons, any errors, defects, disruptions in service or other performance problems may damage our end customers' business and could hurt our reputation. If that occurs, we may incur significant costs, the attention of our key personnel could be diverted, our end customers may delay or withhold payment to us or elect not to continue to use our products or renew our services, or defer further purchases, or other significant customer relations problems may arise. We may also be subject to government penalties and liability claims for damages related to errors or defects in our platform.

Our business is subject to the risks of earthquakes, fire, floods and other natural catastrophic events, and interruptions by man-made problems, such as network data-security incidents, computer viruses or terrorism.

Our corporate headquarters are located in Silicon Valley, and substantially all of our contract manufacturers are located in Asia, both regions known for seismic activity. A significant natural disaster, such as an earthquake, a fire or a flood, occurring near our headquarters, or near the facilities of our contract manufacturers, could have a material adverse impact on our business, operating results and financial condition. Despite the implementation of network security measures, our networks also may be vulnerable to computer viruses, break-ins, denial of service attacks, malware, ransomware and other disruptions and data security incidents arising from unauthorized tampering with our systems or our products or our data analytic solutions or from internal or external threats. In addition, natural disasters, acts of terrorism or war could cause disruptions in our or our end customers' or channel partners' businesses, our suppliers' and manufacturers' operations or the economy as a whole. We also rely on information technology systems to communicate among our workforce and with third parties. Any disruption to our communications, whether caused by a natural disaster or by manmade problems, such as power disruptions, could adversely affect our business. We do not have a fully developed disaster recovery plan or policy or incident response plan or comprehensive written information or data security plans in place which cover all our installations and business operations, and do not currently require that all our manufacturing partners have such plans or policies in place. To the extent that such incidents or our failure to promptly or effectively respond result in delays or cancellations of orders or impede our suppliers' and/or our manufacturers' ability to timely deliver our products and product components, or the deployment of our products, our business, operating results and financial condition could be adversely affected. We do maintain what we believe are commercially reasonable levels of business interruption insurance. However, we cannot assure that such insurance would be available to us or adequately cover our losses in the event of a significant disruption in our business.

We may acquire other businesses or form partnerships or joint ventures that could require significant management attention, disrupt our business and dilute stockholder value.

We may make investments in complementary companies, products or technologies, or form partnerships or joint ventures with third parties. For example, in January 2016, we lent \$1.5 million in cash in the form of a promissory note issued by a privately held company which provides Wi-Fi application and analytics, which converted into preferred shares of the privately held company in June 2017.

We have limited experience identifying, making investments in, purchasing and integrating third-party companies, technologies or other assets that could be complementary to our business or help advance our strategy, in particular, internationally. As a result, our ability as an organization to identify, invest in, acquire and integrate other companies, technologies or other assets in a successful manner is unproven. We may not be able to find suitable investment or acquisition candidates, and we may not be able to complete such investments or acquisitions on favorable terms, if at all. If we do complete investments or acquisitions, we may not ultimately strengthen our competitive position or achieve our goals, and any investments or acquisitions we complete could be viewed negatively by our end customers, investors and financial analysts. In addition, if we are unsuccessful at integrating such acquisitions, or the technologies associated with such investments or acquisitions, the business prospects, operating results and financials of the combined company could be adversely affected. Any integration process may require significant time and resources, and we may not be able to manage the process successfully. We may also be required to write-down the value of such investments, where the performance of the Company or our ability to account for such investment falls below the original investment value. Such write-downs could be material in any reporting period. Cross-border transactions may involve complex regulatory, labor or government compliance requirements which we may not fully anticipate or which could impose ongoing cost and require significant management attention and resources. We may not successfully evaluate or utilize the acquired technology or personnel, or accurately forecast the financial impact of an acquisition, including accounting charges. We may have to pay cash, assume liabilities, incur debt or issue equity securities to pay for any such investment or acquisition, each of which could adversely affect our financial condition or the value of our common stock. The sale of equity or issuance of debt to finance any such investment or acquisition could result in dilution to our stockholders. The incurrence of indebtedness would result in increased fixed obligations and could also include covenants or other restrictions that would impede our ability to manage our operations.

Our future capital needs are uncertain, and we may need to raise additional funds in the future. If we require additional funds in the future, those funds may not be available on acceptable terms, or at all.

Our cash, cash equivalents and short-term investments were \$87.6 million as of June 30, 2018. We believe that our existing cash and cash equivalents will be sufficient to meet our anticipated working capital and capital expenditure needs for at least the next 12 months. We may, however, need to raise substantial additional capital in the future to:

- fund our operations;
- continue our research and development;

- develop and commercialize new products;
- invest in or acquire companies, in-licensed products or intellectual property; or
- expand sales and marketing activities.

Our future funding requirements will depend on many factors, including:

- market acceptance of our products and services;
- the cost of our research and development activities;
- refinancing, extending or replacing existing obligations, including our existing credit facilities and lease obligations as they mature or where earlier repayment may be required;
- the cost of defending and resolving, in litigation or otherwise, claims that we infringe third-party patents or violate other intellectual property rights;
- the cost and timing of establishing additional sales, marketing and distribution capabilities;
- the cost and timing of establishing additional technical support capabilities;
- the effect of competing technological and market developments;
- the market for different types of funding and overall economic conditions; and
- continued investments we may make to fund anticipated future growth.

We may require additional funds in the future, and we may not be able to obtain those funds on acceptable terms, or at all. If we raise additional funds by issuing equity securities, our stockholders may experience dilution. Debt financing, if available, may involve covenants restricting our operations or our ability to incur additional debt. Upon any liquidation, our debt lenders and other creditors would be repaid all interest and principal then-outstanding prior to the holders of our common stock receiving any distribution. Any debt or additional equity financing that we raise may contain terms that are not favorable to us or our stockholders.

If we do not have, or are not able to obtain, sufficient funds, we may have to reduce our cash burn rate, delay development or commercialization of our products or license to third parties the rights to commercialize products or technologies that we would otherwise seek to commercialize. If we raise additional funds through collaboration and licensing arrangements with third parties, it may be necessary to relinquish some rights to our technologies or our products, or to grant licenses on terms that are not favorable to us. If we are unable to generate sufficient cash flows or to raise adequate funds to finance our forecasted expenditures, we may have to liquidate some or all of our assets, or delay, reduce the scope of or eliminate some or all of our development programs. We also may have to reduce sales, marketing, engineering, customer support or other resources devoted to our products, or cease operations. Any of these actions could impede our ability to achieve our business objectives and harm our operating results.

The requirements of being a public company may strain our resources, divert management's attention and affect our ability to attract and retain qualified members of our board of directors.

As a public company, we are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, the Dodd-Frank Act, the listing requirements of the New York Stock Exchange, the Financial Industry Regulatory Authority ("FINRA") and other applicable securities rules and regulations. Compliance with these rules and regulations increases our legal and financial compliance costs, make some activities more difficult, time-consuming or costly, and increases demand on our systems and resources. For example, the Exchange Act requires, among other things, that we file annual, quarterly and current reports with respect to our business and operating results.

Being a public company has increased our ongoing expenses in general and specifically the cost for us to obtain director and officer liability insurance at levels we deem commercially reasonable, and we have incurred higher costs and accepted higher retentions to obtain such coverage. Being a public company also makes it more difficult for us to attract and retain qualified members of our board of directors, particularly to serve on its audit committee and compensation committee, and qualified executive officers.

As a result of disclosure of information in filings required by us as a public company, our business and financial condition is more visible, which might result in threatened or actual litigation, including by competitors and other third parties. For example, as described in Note 5 - Commitments and Contingencies in this Quarterly Report on Form 10-Q, we were recently sued in separate federal and state actions relating to our forecast for the fourth quarter of 2017. We will incur significant expenses to defend these actions and expend time and resources, including management resources, necessary to resolve them. This and similar future litigation could harm our business and operating results.

An increasing volume of our business is being delivered through our channel partners and distributors, thus increasing our credit exposure to those partners.

We will continue to increase our investment in our channel partners and distributors, and expect the level of our revenue to be delivered through those partners and distributors to increase as well. While utilizing our channel partners and distributors to a greater degree as a source of our revenue may reduce the credit risk we would otherwise have through direct sales to individual end customer transactions, it increases our overall credit risk to these individual partners and distributors. We attempt to monitor periodically the business conditions of our partners and distributors. However, we may not fully understand or be able to anticipate at any time difficult financial or market conditions that could affect or undermine their credit worthiness and ability to meet their obligations to us. This is particularly true for our partners located outside the United States and those who do not provide a level of financial reporting or disclosure consistent with U.S.-reporting companies. In the event one or more of these channel partners and distributors were to experience financial difficulties, slow their payments or default entirely on their obligations to us this could have a material effect on our revenue and overall business.

Our debt obligations contain restrictions that impact our business and expose us to risks that could adversely affect our liquidity and financial conditions.

On June 21, 2012, we entered into a revolving credit facility with Silicon Valley Bank, which we refer to, as amended, as our Revolving Credit Facility. As of June 30, 2018, we have \$20.0 million drawn under the Revolving Credit Facility.

Our obligations under the Revolving Credit Facility are secured by substantially all of our property, other than our intellectual property. The Revolving Credit Facility contains customary negative covenants that limit our ability to, among other things, incur additional indebtedness, grant liens, make investments, repurchase stock, pay dividends, transfer assets or engage in merger and acquisition activity, including merge or consolidate with a third party. The Revolving Credit Facility also requires us to maintain a liquidity ratio of not less than 1.25 to 1.00 and a minimum cash balance with the bank of \$35 million and to demonstrate the absence of defined events of default in order to assure full access to the available borrowing. Our Revolving Credit Facility also contains customary affirmative covenants, including requirements to, among other things, deliver audited financial statements, and it contains customary events of default, subject to customary cure periods for certain defaults, which include, among other things, non-payment defaults, covenant defaults, material judgment defaults, bankruptcy and insolvency defaults, cross-defaults to certain other material indebtedness, and defaults arising from inaccuracy of representations and warranties. The Revolving Credit Facility also includes a default upon the occurrence of a material adverse change to our business.

If our cash balances or cash flows decline due to any of the factors described in this "Risk Factors" section or otherwise, if we breach covenants under our Revolving Credit Facility or if there occurs a material adverse change in our business, we could be prohibited from further borrowing under the Revolving Credit Facility, our interest rates on the outstanding borrowings could increase and our obligation to repay principal amounts could be accelerated. Our failure to pay interest and principal amounts when due or comply with covenants could cause a default under the Revolving Credit Facility. Any such default could have a material adverse effect on our liquidity and financial condition. In the event of our liquidation, the lender would be repaid all outstanding principal and interest prior to distribution of assets to other creditors. Our holders of common stock would receive a portion of any liquidation proceeds only if all of our creditors were first repaid in full.

Risks Related to Our Industry

We compete in highly competitive markets, and competitive pressures from existing and new companies may harm our business, revenue, growth rates and prospects. In addition, many of our current or potential competitors have longer operating histories, greater brand recognition, larger customer bases and significantly greater resources than we do, and we may lack sufficient financial or other resources to maintain or improve our competitive position.

The markets in which we compete are highly competitive, and we expect competition to increase in the future, whether from established competitors or new market entrants. The markets are influenced by, among others, the following competitive factors:

- brand awareness and reputation;
- price and total cost of ownership;
- discounts and other incentives offered to resellers and channel partners;
- strength and scale of sales and marketing efforts, professional services and customer support;
- product features, reliability and performance;

- incumbency of the current provider, either for wireless or wired networking or other products;
- scalability of products;
- ability to integrate with other technology infrastructures; and
- breadth of product offerings.

Our main competitors are primarily general networking infrastructure vendors that include Wi-Fi products in their portfolio, such as Cisco/Meraki, Hewlett-Packard/Aruba Networks, Arris/Ruckus Wireless, Ubiquiti, Extreme Networks, Riverbed/Xirrus and Huawei. Their broad networking portfolios may include enterprise mobility solutions they have developed or acquired or may acquire in the future. Such vendors have significant sales and engineering resources and, along with the relationships they have formed, can offer customers and resellers a broader or more compelling portfolio of products and platform solutions than we can offer, which some customers may prefer, and can use their broader offerings to provide additional financial and technical incentives for customers to purchase their products. These companies may also expand their product offerings over time and, through such partnerships and acquisitions and with greater resources, are able more effectively and opportunistically to target emerging markets or market opportunities, becoming more difficult competitors for us. They are also able to develop broader suites of products, and provide a complete and integrated wired and wireless solution may be preferable to our end customers. We expect competition to intensify in the future as companies introduce new products into our markets, consolidate or broaden their product offerings or from partnerships or collaborations, including amongst our competitors and partners, which expand the breadth and compatibility of their product offerings. This competition could result in increased pricing pressure, reduced profit margins, increased sales and marketing expenses, and failure to increase, or the loss of, our market share, any of which would likely seriously harm our business, operating results or financial condition. If we do not keep pace with product and technology advances, or if we are unable to differentiate our products and services successfully from those of our competitors, including our total cost of ownership, there could be a material and adverse effect on our competitive position, revenue and prospects for growth.

A number of our current or potential competitors have longer operating histories, greater name recognition, larger customer bases, more resellers, and significantly greater financial, technical, sales, marketing and other resources. Our competitors may be better able to anticipate, influence or adapt more quickly to new or emerging technologies and changes in customer requirements, devote greater resources to the promotion and sale of their products and services, initiate or withstand substantial price competition, take advantage of acquisitions or other opportunities more readily and develop and expand their product and service offerings more quickly than we can. Such greater resource and operating histories of our larger and longer-established competitors may be particularly important to our larger enterprise customers when choosing our or a competing product solution. In addition, certain of our competitors may be able to leverage their relationships with customers based on other products or incorporate functionality into existing products to gain business in a manner that discourages customers from purchasing our products, including through selling at low or even negative margins, product bundling, or closed-technology platforms. Our competitors may also be able to offer a broader integrated product platform, or across platforms through partnerships, bringing together a unified product, security and applications offering. Potential end customers may prefer to purchase all of their equipment from a single provider, or may prefer to purchase wireless and wired networking products from an existing supplier rather than a new supplier, regardless of product performance or features.

We expect increased competition from our current competitors, as well as other established and emerging companies, to the extent our markets continue to develop and expand. Conditions in our markets could change rapidly and significantly as a result of technological advancements or other factors. These pressures could limit our growth and materially adversely affect our business, operating results and financial condition.

Industry consolidation and strategic partnerships lead to increased competition and may harm our operating results.

There has been a trend toward industry consolidation in our markets for several years as companies attempt to strengthen or hold their market positions in an evolving industry, and as companies are acquired or are unable to continue operations. Some of our competitors have made acquisitions or entered into partnerships or other strategic relationships to offer a more comprehensive solution than they individually had offered. For example, in November 2012, Cisco Systems acquired Meraki Networks. In 2014, Juniper Networks announced that it was exiting its wireless networking business as part of a strategic partnership with Aruba Networks. In April 2014, Zebra Technologies announced that it would buy the enterprise business of Motorola Solutions, which Zebra later sold to Extreme Networks in September 2016. In March 2015, Hewlett-Packard announced that it would acquire Aruba Networks. In July 2015, Fortinet, Inc. completed its acquisition of Meru Networks. Cisco and Apple announced in August 2015 a collaboration to improve the performance and experience of Apple iOS-based products when used on Cisco networks and operating systems. In October 2015, Ruckus announced its acquisition of CloudPath Networks, a provider of Wi-Fi onboarding technology. In April 2016, Brocade announced its acquisition of Ruckus. Brocade subsequently sold its Ruckus business unit to the Arris Group. In April 2017, Riverbed Technology announced

its acquisition of Xirus Networks. Such or similar consolidation or strategic partnerships may continue in the future. The companies or alliances resulting from these possible consolidations may create more compelling or bundled or integrated product platforms, bringing together unified product, security and application offerings, as well as being able to offer greater pricing flexibility, making it more difficult for us to compete effectively, including on the basis of price, sales and marketing programs, channel coverage, technology or product functionality. Continued industry consolidation may adversely impact customers' perceptions of the viability of smaller and even medium-sized technology companies such as ourselves and, consequently, customers' willingness to purchase from us. Such greater resource and operating histories of our larger and longer-established competitors may be particularly important to our larger enterprise customers when choosing our or a competing production solution. In addition, companies that are our strategic alliance or channel partners in some areas of our business may acquire or form alliances with our competitors, thereby reducing their business with us. For example, in February 2018 Ruckus Wireless announced that it had signed an OEM agreement with Dell whereby Dell will also become a reseller of Ruckus' portfolio of wireless solutions. If our channel partners fail to effectively market, distribute and support our products, or if our channel strategy, or particular channel partner initiatives or investments, such as with Dell or others we may identify, are otherwise unsuccessful, our revenue performance and operating margin would be harmed, which could adversely affect the value of our common stock. We also believe that industry consolidation may result in stronger competitors, with more efficient cost structures that are better able to compete as sole-source vendors for our end customers. This could lead to more variability in our operating results and could have a material adverse effect on our business, operating results and financial condition.

Demand for our products and services depends in part on the continued growth of the industries in which we participate, as well as our ability to diversify into other verticals, and the failure of these industries to expand or of our ability to diversify our revenue opportunities, could harm our operating results.

We currently target education, retail and distributed enterprise end customers, and we sell into verticals such as finance, healthcare, manufacturing, utilities, telecom, state and local government, transportation, legal, accounting, architecture, engineering and construction. In the event, any of the specific sectors we target fails to expand on wireless networking, or slows the rate of their spending, our operating results could be harmed. For example, the education sector is faced with limited resources to spend on technology purchases. In North America, the U.S. government's E-Rate program starting on July 1, 2015 was expected to continue to provide a significant portion over the next several years of the funding used by schools to purchase our solutions. If this sector does not continue to expand expenditures on technology in general, or the rate of funding slows or is delayed, our business could be harmed. If the E-Rate program is discontinued or receives a lower level of funding than we expect, or the share of funding our end customers secure or direct toward purchasing our products is lower than we expect, our business could also be harmed.

If functionality similar to that offered by our products is incorporated into existing network infrastructure products, enterprises may decide against adding our products to their network, which would have an adverse effect on our business.

Large, well-established providers of networking equipment may continue to introduce features that compete with our products, either in stand-alone products or as additional features or applications in their network platforms. For example, several of our larger competitors may be better able to integrate into a single platform a broader product, security and applications offering. The inclusion of, or the announcement of an intent to include, functionality perceived to be better or more cost-effective than our platform offering may have an adverse effect on our ability to market and sell our products. Furthermore, even if the functionality these providers offer is more limited or less cost-effective than our platform, end customers may elect to accept such products in lieu of adding platforms from an additional vendor such as ourselves. Many enterprises have invested substantial personnel and financial resources to design and operate their networks and have established deep relationships with other providers of networking products, which may make them reluctant to add new components to their networks, particularly from other vendors such as ourselves. In addition, an enterprise's existing vendors or new vendors with a broad product offering may be able to offer concessions that we are not able to match. If enterprises are reluctant to add new vendors or otherwise decide to work with their existing vendors, our ability to maintain or improve our market share, our financial condition and operating results will be adversely affected.

We rely on revenue from subscription and support services that may decline. Because we recognize revenue from subscriptions and support over the term of the relevant service period, downturns or upturns in sales are not immediately reflected in full in our operating results.

Subscription and support revenue, consisting of sales of new or renewal subscription and support and maintenance contracts, accounts for a significant portion of our revenue, comprising 29% and 25% of our total revenue for the six months ended June 30, 2018 and 2017, respectively. Our service revenue may decline and fluctuate as a result of a number of factors, including end customers' level of satisfaction with our offerings, the prices, pricing and changes in the scope of our offerings, the prices of products and services offered by our competitors and reductions in our end customers' spending levels. We are developing and implementing systems to enable us better to track and timely identify renewal opportunities. If our sales of new

or renewal subscription and support and maintenance contracts decline, or we are not able to manage efficiently increased support transaction volumes, including renewals, our revenue and revenue growth may decline and our business will suffer. In addition, we recognize service revenue ratably over the term of the relevant service period, which is typically one, three or five years. As a result, much of the service revenue we report each quarter is the recognition of deferred revenue from service contracts entered during previous quarters. Consequently, a decline in new or renewed subscription or support and maintenance contracts in any one quarter will not be fully reflected in revenue in that quarter but will continue to negatively affect our revenue in future quarters. Accordingly, the effect of significant downturns in new or renewed sales of our subscriptions or support and maintenance is not reflected in full in our operating results until future periods. Also, it is difficult for us to rapidly increase our services revenue through additional service sales in any period, as revenue from new and renewal service contracts must be recognized over the applicable service period. Furthermore, any increase in the average term of services contracts would result in revenue for services contracts being recognized over longer periods of time and the associated revenue we recognize could be lower in any particular quarter.

If we fail to comply with environmental requirements, our business, financial condition, operating results, and reputation could be adversely affected.

We are subject to various local, state, federal, and international environmental laws and regulations, including laws governing the hazardous material content of our products and laws relating to the collection of and recycling of electrical and electronic equipment. Examples of these laws and regulations include the European Union Restriction on the Use of Certain Hazardous Substances in Electrical and Electronic Equipment Directive ("RoHS"), and the European Union Waste Electrical and Electronic Equipment Directive ("WEEE Directive"), as well as the implementing legislation of the European Union member states. Similar laws and regulations have been passed or are pending in China, South Korea, Norway, and Japan and may be enacted in other regions in which we currently or expect to operate, including in the United States, and we are, or may in the future be, subject to these laws and regulations.

The RoHS and similar laws of other jurisdictions limit the content of certain hazardous materials, such as lead, mercury and cadmium, in the manufacture of electrical equipment, including our products. Currently, our products comply with the EU RoHS requirements. However, if there are changes to these or other laws (or their interpretation) or other jurisdictions pass new similar laws or requirements, we may be required to reengineer our products to use components compatible with these regulations. This reengineering and component substitution could result in additional costs to us or disrupt our operations or logistics or delay our ability to sell our products.

The WEEE Directive requires electronic goods producers to register as a WEEE producer and be responsible for the collection, recycling, and treatment of such products. Changes in interpretation of the directive may cause us to have additional regulatory requirements to meet in the future in order to comply with this directive, or with any similar laws adopted in other jurisdictions.

We are also subject to environmental laws and regulations governing the management of hazardous materials, which we use in small quantities in our engineering labs. Our failure to comply with these or past, present and future similar laws could result in reduced sales of our products, substantial product inventory write-offs, reputational damage, costs, penalties, third-party property damage, and other sanctions, any of which could harm our business and financial condition. We also expect that our products will be affected by new environmental laws and regulations on an ongoing basis, imposing greater compliance costs, and increasing risks and penalties associated with violations, which could harm our business. To date, our expenditures for environmental compliance have not had a material impact on our results of operations or cash flows, and although we cannot predict the future impact of such laws or regulations, they will likely result in additional costs and may increase penalties associated with violations or require us to change the content of our products or how they are manufactured, any of which could have a material adverse effect on our business, operating results, and financial condition.

New regulations or standards or changes in existing regulations or standards in the United States or internationally related to our products may result in unanticipated costs or liabilities, which could have a material adverse effect on our business, results of operations and future sales, and could place additional burdens on the operations of our business.

Our products are subject to governmental regulations in a variety of jurisdictions. In order to achieve and maintain market acceptance, our products must continue to comply with these regulations as well as a significant number of industry standards. In the United States, our products must comply with various regulations defined by the Federal Communications Commission ("FCC"), Underwriters Laboratories and others. We must also comply with similar international regulations in order for our products to be certified for use in such countries. For example, our wireless communication products operate through the transmission of radio signals and radio emissions are subject to regulation in the United States and in other countries in which we do business. In the United States, various federal agencies, including the Center for Devices and Radiological Health of the Food and Drug Administration, the FCC and various state agencies have promulgated regulations

that concern the use of radio and electromagnetic emissions standards. Member countries of the European Union and individual countries in the Asia Pacific region have enacted similar standards concerning electrical safety and electromagnetic compatibility and emissions. In addition, our data analytics solutions, and the manner in which we collect, store, analyze, use or transmit end customer data, increasingly may be subject to regulation under the Federal Trade Commission.

As these regulations and standards evolve, and if new regulations or standards are implemented, we will be required to modify our products or develop and support new versions of our products, or change the manner in which we collect, store, analyze, use or transmit end customer data, and our compliance with these regulations and standards may become more burdensome and require significant investments. The failure of our products to comply, or delays in compliance, with the various existing and evolving industry regulations and standards could prevent or delay introduction of our products, which could harm our business. End customer uncertainty regarding future policies may also affect demand for communications products, including our products. Moreover, channel partners or end customers may require us, or we may otherwise deem it necessary or advisable, to alter our products to address actual or anticipated changes in the regulatory environment. Our inability to alter our products to address these requirements and any regulatory changes may have a material adverse effect on our business, operating results and financial condition.

Risks Related to Our Intellectual Property

If we are unable to protect our intellectual property rights, our competitive position could be harmed or we could be required to incur significant expenses to enforce our rights.

We protect our proprietary information and technology through licensing agreements, third-party nondisclosure agreements and other contractual provisions, as well as through patent, trademark, copyright and trade secret laws in the United States and similar laws in other countries. As of June 30, 2018, we held 63 patents issued and 49 applications pending in the United States (as well as certain foreign equivalents issued and applications pending outside the United States). These patents issued in the U.S. will expire between 2028 and 2036.

We do not know whether these protections will be available in all cases or will be adequate to prevent our competitors from copying, reverse engineering or otherwise obtaining and using our technology, proprietary rights or products. The laws of some foreign countries, including countries in which our products are sold, used or manufactured, are in many cases not as protective of intellectual property rights as those in the United States, and mechanisms for enforcement of intellectual property rights may be inadequate. In addition, third parties may seek to challenge, invalidate or circumvent our patents, trademarks, copyrights and trade secrets, or applications for any of the foregoing. Our competitors may independently develop technologies that are substantially equivalent or superior to our technology or design around our proprietary rights. We have focused patent, trademark, copyright and trade secret protection primarily in the United States. As a result, we may not have sufficient protection of our intellectual property in all countries where infringement may occur. In each case, our ability to compete or offer our products for sale could be significantly impaired.

To prevent substantial unauthorized use of our intellectual property rights, it may be necessary to prosecute actions for infringement and/or misappropriation of our proprietary rights against third parties. We currently have a limited portfolio of issued patents compared to our larger competitors and, therefore, may not be able to effectively utilize our intellectual property portfolio to assert against third parties. Any such action could result in significant costs and diversion of our resources and management's attention and, in any case, we could fail to be successful in any such action. Furthermore, many of our current and potential competitors have the ability to dedicate substantially greater resources to enforce their intellectual property rights than we do. Accordingly, despite our efforts, we may not be able to prevent third parties from infringing upon or misappropriating our intellectual property.

Claims by others that we infringe their intellectual property rights could harm our business.

Companies that sell products in the wireless networking industry are often aggressive in protecting intellectual property rights and perceived rights, which has resulted in protracted and expensive litigation for some companies. In addition, non-operating entities have been increasingly aggressive in asserting intellectual property rights and perceived rights against operating companies in the Wi-Fi and networking industry, including ourselves. We currently are subject to claims and litigation by third parties that we infringe their intellectual property rights.

As our business expands, and the number of products and competitors in our market increases and overlaps occur, we expect that infringement claims against us or our partners or end customers may increase in number and significance. Any claims or proceedings against us, whether meritorious, will be time-consuming, result in costly litigation, require significant amounts of management time or result in the diversion of significant operational resources, any of which could materially and adversely affect our business and operating results.

Intellectual property lawsuits are subject to inherent uncertainties due to the complexity of the technical issues involved, and we cannot be certain that we will be successful in defending ourselves against intellectual property claims. Our limited portfolio of issued patents may not provide defenses or counterclaims in response to patent infringement claims or litigation brought against us by third party competitors. Further, where non-operating entities or other adverse patent owners who have no relevant products or revenue bring such claims or litigation against us, our patents provide no deterrence or competitive risk. In any case, many potential litigants have the capability to dedicate substantially greater resources to enforce their intellectual property rights and to defend claims than we could against them. Furthermore, a successful claimant could secure a judgment that requires us to pay substantial damages or prevents us from distributing certain products or performing certain services. We might also be required to seek a license and pay royalties for the use of such intellectual property, which may not be available on commercially acceptable terms, or at all. Alternatively, we may be required to develop non-infringing technology, which could require significant effort and expense to redesign our product, which could delay our product offering and may ultimately not be successful.

See Part II, Item 1 "Legal Proceedings." for a discussion of the intellectual property litigation in which we are currently involved.

Our use of open-source software could impose limitations on our ability to commercialize our products.

Our products utilize software modules licensed to us by third-party authors under open-source licenses, including as incorporated into software we receive from third party commercial software vendors. Use and distribution of open-source software may entail greater risks than use of third-party commercial software, as open-source licensors generally do not provide support, updates, warranties, or other contractual protections regarding infringement claims or the quality of the code. Furthermore, the terms of many open-source licenses have not been interpreted by U.S. or foreign courts, and these licenses could be construed in a way that could impose unanticipated conditions or restrictions on our ability to commercialize our products. In addition, some open-source licenses require the licensee, under certain circumstances, to make available source code for modifications or derivative works the licensee creates based upon such open-source software, and to allow further modification and distribution of such works. As a result, if we combine our proprietary software with open-source software or modify such software in a certain manner, we could be required to release certain source code we authored under license terms that freely permit third parties, including our competitors, to further modify, use and distribute our software. In some instances, this could allow our competitors to create similar products with lower development effort and time, create security vulnerabilities in our products, and ultimately result in a loss of product sales for us. Further, if we are held to have breached or otherwise failed to comply with the terms of an open-source software license, we could be required to pay damages, seek licenses from third parties to continue offering our products, re-engineer our products, or discontinue the sale of our products if re-engineering could not be accomplished on a timely basis, any of which could harm our business, operating results and financial condition.

We continue to review our usage of open-source software in our products, and to analyze the impact of such usage on our products and business. We may not be able to identify all of the risks regarding our use of open-source software and what steps we will need to take to come into compliance with applicable license terms. Moreover, our implementation of tools and policies designed to monitor our ongoing use of open-source software in our products may not be adequate or entirely effective in all instances. Depending on our determination of the impact on our business of compliance with applicable open-source license requirements, we may re-engineer certain aspects of our products and/or seek licenses from third parties in order to demonstrate compliance with applicable license terms. Our review to date has identified certain uses of third-party open-source software that, under the terms of applicable open-source licenses, will require us to provide certain additional notices, and to distribute and to offer to release certain of our source code under open-source software license terms, which we currently anticipate doing. We are also re-engineering certain portions of our products to limit the scope of and potential impact on our business of such disclosure and licensing requirements going forward. We do not know the full extent of such required disclosures or re-engineering efforts, or if and on what terms such alternative licenses could be available and whether our reengineering efforts will be sufficient to demonstrate substantial compliance with applicable licensing requirements. Even where we have reengineered new product or platform offerings, we will likely be required to support for some period into the future legacy products and platforms utilizing software which does not comply with applicable license requirements. In such instances, we may nonetheless have exposure to third-party claims regarding our ability to demonstrate compliance with applicable open-source license requirements.

We rely on the availability of third-party licenses. If these licenses are available to us only on less favorable terms or not at all in the future, our business and operating results would be harmed.

We have incorporated third-party licensed technology and intellectual property rights into our products. It may be necessary in the future to renew licenses relating to various aspects of these products or to seek additional licenses for existing or new products. These necessary licenses could be unavailable to us on acceptable terms, or at all. The inability to obtain

certain licenses or other rights, or to obtain those licenses or rights on favorable terms, or the need to engage in litigation regarding these matters, could result in delays in product releases until such time, if ever, as we can identify, license or develop equivalent technology and integrate such technology into our products, which might have a material adverse effect on our business, operating results and financial condition. Moreover, the inclusion in our products of intellectual property licensed from third parties on a nonexclusive basis could limit our ability to differentiate our product offering or protect our proprietary rights in our products.

Risks Related to Ownership of Our Common Stock

We have experienced significant volatility in the price of our common stock, and you could lose all or part of your investment.

The trading price of our common stock has fluctuated substantially. From the date of our initial public offering in March 2014 through June 30, 2018, the high and low trading price for our common stock as reported by the New York Stock Exchange ranged between a high of \$12.23 and a low of \$3.02. The trading price of our common stock depends on a number of factors, including those described in this “Risk Factors” section, many of which are beyond our control and may not be related to our operating performance. These fluctuations could cause you to lose all or part of your investment in our common stock, since you might not be able to sell your shares at or above the price you paid.

Factors that could cause fluctuations in the trading price of our common stock include the following:

- price and volume fluctuations in the overall stock market from time to time;
- volatility in the market prices and trading volumes of high-technology stocks;
- changes in operating performance and stock market valuations of other technology companies generally, or those in our industry in particular;
- sales of shares of our common stock by us or our stockholders, including through secondary offerings we may initiate to generate cash to fund our ongoing operations;
- failure of financial analysts to maintain coverage of us, changes in financial estimates by any analysts who follow our company, or our failure to meet these estimates or the expectations of our investors;
- the financial projections we may provide to the public, any changes in those projections or our failure to meet those projections;
- announcements by us or our competitors of new products or new or terminated significant contracts, commercial relationships or capital commitments, or of delays in our product offerings;
- public analyst or investor reaction to our press releases, other public announcements and filings with the Securities and Exchange Commission, including specifically, concerning our operations, business initiatives or operating performance;
- rumors and market speculation involving us or other companies in our industry;
- vesting of shares under RSU awards to our employees and delivery of shares our employees purchase under our ESPP, and related selling of such shares into the market, whether by us or our employees, including to cover employee tax withholding obligations;
- actual or anticipated changes in our results of operations or fluctuations in our operating results, including any actual or perceived slowing in our rate of growth or ability to achieve profitability at all or on a schedule expected by our investors or industry analysts;
- actual or anticipated developments in our business or our competitors’ businesses or the competitive landscape generally;
- litigation involving us, our industry or both, or investigations by regulators into our operations or those of our competitors;
- developments or disputes concerning our intellectual property or our products, or third-party proprietary rights;
- announced or completed investments in or acquisitions of businesses or technologies by us or our competitors, including the result of ongoing consolidation within our industry, and the performance of such investments or acquisitions;
- the partnerships we or our competitors may announce, and the performance of such partnerships;
- declines in our operating, margin or revenue growth or customer acquisition rates;

- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- changes in accounting standards, policies, guidelines, interpretations or principles;
- changes in our senior management or our board of directors;
- general economic conditions and slow or negative growth of our markets; and
- other events or factors, including those resulting from war, incidents of terrorism or responses to these events.

The stock market in general, and the market for technology companies in particular, has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies. Broad market and industry factors may seriously affect the market price of our common stock, regardless of our actual operating performance. In addition, in the past, following periods of volatility in the overall market and the market prices of particular companies' securities, securities class action litigations have often been instituted against these companies. Our industry has experienced significant consolidation recently, and the prices paid in such consolidations and the performance of such acquisitions could have a significant impact how analysts and investors view our stock and the price such investors are willing to pay. For example, in April 2016, Brocade announced its acquisition of Ruckus Wireless, one of our competitors. Brocade subsequently sold its Ruckus business unit to the Arris Group. What prices buyers paid in these or other similar transactions could have a significant and negative affect on our stock price or what a potential buyer would be willing to pay for our stock. In addition, if our revenue or operating results, or the rate of growth of our revenue or operating results, fall below the expectations of our investors or financial analysts, or below any forecasts or guidance we may provide to the market, or if the forecasts we provide to the market are below the expectations of analysts or investors, the price of our common stock could decline substantially. For example, the price of our common stock dropped significantly following our announcement on January 16, 2018 of preliminary revenue results for our fourth quarter of fiscal year 2017. Shortly thereafter, several federal stockholder class actions and a state derivative lawsuit were initiated alleging that Aerohive and certain of our officers made false and misleading statements, in particular regarding our financial outlook for our fourth quarter of fiscal year 2017. See Note 5 - Commitments and Contingencies in this Quarterly Report on Form 10-Q for additional information regarding these actions and lawsuit. Such stock price declines could occur and result in litigation against us even when we have met our own or other publicly stated revenue or earnings forecasts, and substantial costs and a diversion of our management's attention and resources.

We utilize RSU awards as a significant component of the equity incentives we provide to our employees. Shares subject to these awards typically vest on March 1, June 1, September 1 and December 1 of each year. On each of these dates, we may direct the sale of such shares into the market to generate cash sufficient to satisfy our estimate of the minimum statutory employee tax withholding. Our employees are also able to purchase shares of our common stock twice per year under our ESPP, which purchase dates currently are June 1 and December 1 of each year. Employees may choose then to sell a portion or all of such shares, including to generate cash sufficient to satisfy statutory tax withholding requirements they may have under local law. The coincidence of such sales of our common stock, concentrating on specific dates, may increase the typical or average trading volume of our common stock, and increase the volatility and degree of fluctuation in the trading price of our common stock. For example, on each of March 1, June 1, September 1 and December 1, 2017, and for the several days thereafter, the average trading volume in our common stock, as reported by the NYSE, increased significantly, as did the degree of fluctuation in the trading price for our stock. We expect such increased trading volumes and related trading price volatility to be repeated, coinciding with future RSU vesting and ESPP purchase dates. Such trading volume and price volatility could create uncertainty amongst our investors or contribute to further stock price declines which may not be related to the actual performance of our business.

Insiders continue to have substantial control over us and will be able to influence corporate matters.

Our directors and executive officers, and stockholders holding more than 5% of our common stock and their affiliates, but excluding stockholders and affiliates holding between 5% and 10% of our common stock not affiliated with any of our officers or directors (and who do not otherwise possess any other indicia of control with respect to our company), beneficially owned, in the aggregate, as of December 31, 2017, approximately 21.4% of our outstanding common stock based on the number of shares outstanding as of December 31, 2017. As a result, these stockholders are able to exercise significant influence over all matters requiring stockholder approval, including the election of directors, and approval of significant corporate transactions, such as a merger or other sale of our company or its assets. This concentration of ownership could limit the ability of our other stockholders to influence corporate matters and may have the effect of delaying or preventing a third party from acquiring control over us.

A small number of stockholders hold a substantial share of our common stock and their sales could increase the volatility of our stock price.

A small number of stockholders currently each holds more than 5% of our common stock. These stockholders include certain of our directors and our C.E.O., and their affiliates, but also stockholders with no affiliation with our company. The average daily trading volume in our stock is limited and any sales of our common stock by any of these stockholders (or, in the case where such stockholders are investment funds, distribution of our stock to their investors and their subsequent sale), could significantly increase trading volatility in and significantly lower the market price of our common stock, regardless of our actual operating performance.

Certain provisions in our charter documents and under Delaware law could limit attempts by our stockholders to replace or remove members of our board of directors or current management and may adversely affect the market price of our common stock.

Provisions in our certificate of incorporation and bylaws may have the effect of delaying or preventing a change of control or changes in our board of directors or management. These provisions include the following:

- our Board has the right to elect directors to fill a vacancy created by the expansion of the Board or the resignation, death or removal of a director, which prevents stockholders from being able to fill vacancies on our Board;
- our stockholders may not act by written consent or call special stockholders' meetings; as a result, a holder or holders controlling a majority of our common stock would not be able to take certain actions other than at annual stockholders' meetings or special stockholders' meetings called by the Board, the chair of the Board, the chief executive officer or the president;
- our directors may only be removed for cause, which would delay the replacement of a majority of our Board;
- our Board is staggered in three tiers, with directors serving for three years, which could impede an acquiror from rapidly replacing our existing directors with its own slate of directors;
- our certificate of incorporation prohibits cumulative voting in the election of directors, which limits the ability of minority stockholders to elect director candidates;
- our stockholders must provide advance notice and additional disclosures in order to nominate individuals for election to our Board or to propose matters that can be acted upon at a stockholders' meeting, which may discourage or deter a potential acquiror from conducting a solicitation of proxies to elect the acquiror's own slate of directors or otherwise attempting to obtain control of our company; and
- our Board may issue, without stockholder approval, shares of undesignated preferred stock; the ability to issue undesignated preferred stock makes it possible for our Board to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to acquire us.

As a Delaware corporation, we are also subject to certain Delaware anti-takeover provisions. For example, under Delaware law, a corporation may not engage in a business combination with any holder of 15% or more of its capital stock unless the holder has held the stock for three years or, among other things, the Board has approved the transaction. Our Board could rely on Delaware law to prevent or delay an acquisition of us.

Our directors are entitled to accelerated vesting of their equity awards pursuant to the terms of their service arrangements upon a change of control of our company, and our executive officers in the event their employment is actually or constructively terminated in the context of a change of control. In addition to the arrangements currently in place with some of our executive officers, we may enter into similar arrangements in the future with other officers. Such arrangements could delay or discourage a potential acquisition of our company.

If financial or industry analysts do not publish research or reports about our business, or if they issue an adverse or misleading opinion regarding our common stock, our stock price and trading volume could decline.

The trading market for our common stock is influenced by the research and reports that industry or financial analysts publish about us, our business, our competitors' business or our industry. We do not control these analysts or the content and opinions included in their reports. We may not attract sufficient research coverage or maintain coverage of analysts that currently publish reports regarding our business. If any of the analysts who cover us issues an adverse or misleading opinion regarding our stock price, our stock price would likely decline. If one or more of these analysts ceases coverage of our company or fails to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

We have a share repurchase program, but we cannot guarantee that in fact that our repurchase of shares will enhance long-term stockholder value. Our share repurchases could also increase the volatility of the price of our common stock and could diminish our cash reserves.

In February 2016, our board of directors authorized a stock repurchase program. Under the program, we were authorized to repurchase shares of our common stock for an aggregate purchase price of up to \$10 million. In August 2017, our board of directors extended this program through June 30, 2018, and we announced in November 2017 that our board had increased to \$20 million the aggregate purchases permitted under this program. In July 2018, our board of directors further extended this program through June 30, 2020. Under the program, we may purchase shares of our stock from time to time, in the open market or through private transactions, subject to market conditions, in compliance with applicable state and federal securities laws. However, the timing and number of our share repurchases, if any, will depend upon several factors, including market and business conditions, the trading price of our common stock and the nature of other investment opportunities available to us. We may also choose to defer or limit repurchases given other uses of our cash or our desire to preserve cash balances. As of June 30, 2018, we had repurchased under this program 1,610,204 shares of our common stock at a total price of \$7.2 million and average purchase price of \$4.50 per share of our common stock.

Although our board of directors authorized the program, we are not obligated to repurchase any minimum or specific number or dollar amount of shares. In addition, we may suspend or terminate the program at any time before its expiration as of June 30, 2020. Our repurchases of common stock could affect the market price of our common stock or increase its volatility. For example, the existence of a share repurchase program could cause our share price to be higher than it would be in the absence of such a program and could potentially reduce the market liquidity for our stock. Additionally, our repurchase program could diminish our cash reserves, which may impact our ability to finance future growth and to pursue possible future strategic opportunities and acquisitions. We also cannot assure that any share repurchases will enhance stockholder value because the market price of our common stock may decline below the levels at which we repurchase our stock, and short-term stock price fluctuations could reduce the program's effectiveness.

We do not intend to pay dividends and under our loan agreements with our lenders we are not permitted to pay dividends. As a result, your ability to achieve a return on your investment will depend on appreciation in the price of our common stock.

Pursuant to our Revolving Credit Facility, we are restricted from paying dividends while this facility is in place. Moreover, we have never declared or paid any cash dividends on our common stock and do not intend to pay any cash dividends in the foreseeable future. We anticipate that we will retain all of our future earnings for use in the development of our business and for general corporate purposes our Board may determine, in its discretion. Any determination to pay dividends in the future will be at the discretion of our Board. Accordingly, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investments.

We are an "Emerging Growth Company," and any decision on our part to comply only with certain reduced disclosure requirements applicable to Emerging Growth Companies could make our common stock less attractive to investors.

We are an "emerging growth company," as defined in the Jumpstart Our Business Startups Act enacted in April 2012, and, for as long as we continue to be an "emerging growth company," we choose to take advantage of exemptions from various reporting or compliance requirements applicable to other public companies but not to "emerging growth companies," including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We could be an "emerging growth company" for up to five years after the completion of the IPO, although if the market value of our common stock that is held by non-affiliates exceeds \$700 million as of any June 30 before that time or if we have total annual gross revenue of \$1.07 billion or more during any fiscal year before that time, we would cease to be an "emerging growth company" as of the end of that fiscal year. If we issue more than \$1 billion in non-convertible debt in a three-year period, we would cease to be an "emerging growth company" immediately. We cannot predict if investors will find our common stock less attractive if we choose to rely on these exemptions. If some investors find our common stock less attractive as a result of any choices to reduce future disclosure, there may be a less active trading market for our common stock and our stock price may be more volatile.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Recent Sale of Unregistered Securities

None.

ITEM 3. DEFAULT UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

See the Exhibit Index which follows the signature page of this Quarterly Report on Form 10-Q, which is incorporated herein by reference.

EXHIBIT INDEX

Exhibit No.	Description of Document
<u>10.1</u>	<u>2014 Employee Stock Purchase Plan, as amended and restated, as of July 18, 2018</u>
<u>10.2</u>	<u>Form of Restricted Stock Unit Agreement</u>
<u>31.1</u>	<u>Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
<u>31.2</u>	<u>Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
<u>32.1</u>	+ <u>Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
<u>32.2</u>	+ <u>Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101.INS	* XBRL Instance Document.
101.SCH	* XBRL Taxonomy Extension Schema Document.
101.CAL	* XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	* XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	* XBRL Taxonomy Extension Labels Linkbase Document.
101.PRE	* XBRL Taxonomy Extension Presentation Linkbase Document.

+ In accordance with Item 601(b)(32)(ii) of Regulation S-K and SEC Release Nos. 33-8238 and 34-47986, Final Rule; Management's Reports on Internal Control over Financial Reporting and Certification of Disclosure in Exchange Act Periodic Reports, the Certification furnished in Exhibit 32.1 and 32.2 hereto is deemed to accompany this Form 10-Q and will not be filed for purposes of Section 18 of the Exchange Act. Such certification will not be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the Registrant specifically incorporates it by reference.

* XBRL information is furnished and not filed or a part of a registration statement or prospectus for purposes of Section 11 or 12 of the Securities Exchange Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under this section.

SIGNATURES

Pursuant to the requirements 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 the 1st day of August 2018.

AEROHIVE NETWORKS, INC.

By: /s/ David K. Flynn
David K. Flynn
President and Chief Executive Officer

AEROHIVE NETWORKS, INC.

By: /s/ John Ritchie
John Ritchie
Chief Financial Officer

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Section 2: EX-10.1 (EXHIBIT 10.1)

AEROHIVE NETWORKS, INC.

2014 EMPLOYEE STOCK PURCHASE PLAN

(amended & restated as of July 18, 2018)

1. **Purpose.** The purpose of the Plan is to provide employees of the Company and its Designated Companies with an opportunity to purchase Common Stock through accumulated Contributions. The Company's intends for the Plan to have two components: a Code Section 423 Component ("423 Component") and a non-Code Section 423 Component ("Non-423 Component"). The Company's intention is to have 423 Component of the Plan qualify as an "employee stock purchase plan" under Section 423 of the Code. The provisions of the 423 Component, accordingly, will be construed so as to extend and limit Plan participation in a uniform and nondiscriminatory basis consistent with the requirements of Section 423 of the Code. In addition, this Plan authorizes the grant of an option to purchase shares of Common Stock under the Non-423 Component that does not qualify as an "employee stock purchase plan" under Section 423 of the Code; such an option will be granted pursuant to rules, procedures or sub-plans adopted by the Administrator designed to achieve tax, securities laws or other objectives for Eligible Employees and the Company. Except as otherwise provided herein, the Non-423 Component will operate and be administered in the same manner as the 423 Component.

2. Definitions.

(a) "Administrator" means the Board or any Committee designated by the Board to administer the Plan pursuant to Section 14.

(b) "Affiliate" means any entity, other than a Subsidiary, in which the Company has an equity or other ownership interest.

(c) "Applicable Laws" means the requirements relating to the administration of equity-based awards under U.S. state corporate laws, U.S. federal and state securities laws, the Code, any stock exchange or quotation system on which the Common Stock is listed or quoted and the applicable laws of any foreign country or jurisdiction where options are, or will be, granted under the Plan.

(d) "Board" means the Board of Directors of the Company.

(e) "Change in Control" means the occurrence of any of the following events:

(i) A change in the ownership of the Company which occurs on the date that any one person, or more than one person acting as a group ("Person"), acquires ownership of the stock of the Company that, together with the stock held by such Person, constitutes more than fifty percent (50%) of the total voting power of the stock of the Company; provided, however, that for purposes of this subsection, the acquisition of additional stock by any one Person, who is considered to own more than fifty percent (50%) of the total voting power of the stock of the Company will not be considered a Change in Control; or

(ii) A change in the effective control of the Company which occurs on the date that a majority of members of the Board is replaced during any twelve (12) month period by Directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election. For purposes of this clause (ii), if any Person is considered to be in effective control of the Company, the acquisition of additional control of the Company by the same Person will not be considered a Change in Control; or

(iii) A change in the ownership of a substantial portion of the Company's assets which occurs on the date that any Person acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or more than fifty percent (50%) of the total gross fair market value of all of the assets of the Company immediately prior to such acquisition or acquisitions; provided, however, that for purposes of this subsection, the following will not constitute a change in the ownership of a substantial portion of the Company's assets: (A) a transfer to an entity that is controlled by the Company's stockholders immediately after the transfer, or (B) a transfer of assets by the Company to: (1) a stockholder of the Company (immediately before the asset transfer) in exchange for or with respect to the Company's stock, (2) an entity, fifty percent (50%) or more of the total value or voting power of which is owned, directly or indirectly, by the Company, (3) a Person, that owns, directly or indirectly, fifty percent (50%) or more of the total value or voting power of all the outstanding stock of the Company, or (4) an entity, at least fifty percent (50%) of the total value or voting power of which is owned, directly or indirectly, by a Person described in this subsection (iii)(B)(3). For purposes of this subsection, gross fair market value means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

For purposes of this definition, persons will be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the Company.

Notwithstanding the foregoing, a transaction will not be deemed a Change in Control unless the transaction qualifies as a change in control event within the meaning of Code Section 409A, as it has been and may be amended from time to time, and any proposed or final U.S. Treasury Regulations and Internal Revenue Service guidance that has been promulgated or may be promulgated thereunder from time to time.

Further and for the avoidance of doubt, a transaction will not constitute a Change in Control if: (i) its sole purpose is to change the state of the Company's incorporation, or (ii) its sole purpose is to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction.

(f) "Code" means the U.S. Internal Revenue Code of 1986, as amended. Reference to a specific section of the Code or U.S. Treasury Regulation thereunder will include such section or regulation, any valid regulation or other official applicable guidance promulgated under such section,

and any comparable provision of any future legislation or regulation amending, supplementing or superseding such section or regulation.

(g) “Committee” means a committee of the Board appointed in accordance with Section 14 hereof.

(h) “Common Stock” means the common stock of the Company.

(i) “Company” means Aerohive Networks, Inc., a Delaware corporation, or any successor thereto.

(j) “Compensation” means an Eligible Employee’s base straight time gross earnings, commissions (to the extent such commissions are an integral, recurring part of compensation), payments for overtime and shift premium, but exclusive of payments for incentive compensation, bonuses, equity compensation income and other similar compensation. The Administrator, in its discretion, may, on a uniform and nondiscriminatory basis, establish a different definition of Compensation for a subsequent Offering Period.

(k) “Contributions” means the payroll deductions and other additional payments that the Company may permit to be made by a Participant to fund the exercise of options granted pursuant to the Plan.

(l) “Designated Company” means any Subsidiary or Affiliate that has been designated by the Administrator from time to time in its sole discretion as eligible to participate in the Plan. For purposes of the 423 Component, only the Company and its Subsidiaries may be Designated Companies, provided, however that at any given time, a Subsidiary that is a Designated Company under the 423 Component shall not be a Designated Company under the Non-423 Component.

(m) “Director” means a member of the Board.

(n) “Eligible Employee” means any individual who is a common law employee providing services to the Company or a Designated Company and is customarily employed for at least twenty (20) hours per week and more than five (5) months in any calendar year by the Employer, or any lesser number of hours per week and/or number of months in any calendar year established by the Administrator (if required under applicable local law) for purposes of any separate Offering or for Eligible Employee participating in the Non-423 Component. For purposes of the Plan, the employment relationship will be treated as continuing intact while the individual is on sick leave or other leave of absence that the Employer approves or is legally protected under Applicable Laws. Where the period of leave exceeds three (3) months and the individual’s right to reemployment is not guaranteed either by statute or by contract, the employment relationship will be deemed to have terminated three (3) months and one (1) day following the commencement of such leave. The Administrator, in its discretion, from time to time may, prior to an Enrollment Date for all options to be granted on such Enrollment Date in an Offering, determine (on a uniform and nondiscriminatory basis or as otherwise permitted by Treasury Regulation Section 1.423-2) that the definition of Eligible Employee will or will not include an individual if he or she: (i) has not completed at least two (2) years of service since his or her last

hire date (or such lesser period of time as may be determined by the Administrator in its discretion), (ii) customarily works not more than twenty (20) hours per week (or such lesser period of time as may be determined by the Administrator in its discretion), (iii) customarily works not more than five (5) months per calendar year (or such lesser period of time as may be determined by the Administrator in its discretion), (iv) is a highly compensated employee within the meaning of Section 414(q) of the Code, or (v) is a highly compensated employee within the meaning of Section 414(q) of the Code with compensation above a certain level or is an officer or subject to the disclosure requirements of Section 16(a) of the Exchange Act, provided the exclusion is applied with respect to each Offering in an identical manner to all highly compensated individuals of the Employer whose Employees are participating in that Offering. Each exclusion shall be applied with respect to an Offering in a manner complying with U.S. Treasury Regulation Section 1.423-2(e)(2)(ii).

- (o) “Employer” means the employer of the applicable Eligible Employee(s).
- (p) “Enrollment Date” means the first Trading Day of each Offering Period.
- (q) “Exchange Act” means the U.S. Securities Exchange Act of 1934, as amended, including the rules and regulations promulgated thereunder.
- (r) “Exercise Date” means the first Trading Day on or after June 1 and December 1 of each Purchase Period or Offering Period (as applicable).
- (s) “Fair Market Value” means, as of any date and unless the Administrator determines otherwise, the value of Common Stock determined as follows:

- (i) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation the New York Stock Exchange, NASDAQ Global Select Market, the NASDAQ Global Market or the NASDAQ Capital Market of The NASDAQ Stock Market, its Fair Market Value will be the closing sales price for such stock as quoted on such exchange or system on the date of determination (or the closing bid, if no sales were reported), as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable;

- (ii) If the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, its Fair Market Value will be the mean between the high bid and low asked prices for the Common Stock on the date of determination (or if no bids and asks were reported on that date, as applicable, on the last Trading Day such bids and asks were reported), as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable;

- (iii) In the absence of an established market for the Common Stock, the Fair Market Value thereof will be determined in good faith by the Administrator; or

- (iv) For purposes of the Enrollment Date of the first Offering Period under the Plan, the Fair Market Value will be the initial price to the public as set forth in the final prospectus included within the Company’s registration statement on Form S-1 filed with the Securities and Exchange Commission for the initial public offering of the Common Stock (the “Registration Statement”).

(t) "Fiscal Year" means the fiscal year of the Company.

(u) "New Exercise Date" means a new Exercise Date if the Administrator shortens any Offering Period then in progress.

(v) "Offering" means an offer under the Plan of an option that may be exercised during an Offering Period as further described in Section 4. For purposes of the Plan, the Administrator may designate separate Offerings under the Plan (the terms of which need not be identical) in which Employees of one or more Employers will participate, even if the dates of the applicable Offering Periods of each such Offering are identical and the provisions of the Plan will separately apply to each Offering. To the extent permitted by U.S. Treasury Regulation Section 1.423-2(a)(1), the terms of each Offering need not be identical provided that the terms of the Plan and an Offering together satisfy U.S. Treasury Regulation Section 1.423-2(a)(2) and (a)(3).

(w) "Offering Periods" means the periods of (x) approximately twelve (12) months during which an option granted pursuant to the Plan may be exercised, (i) commencing on the first Trading Day on or after December 1 of each year and terminating on the first Trading Day on or after December 1 (except as provided in Section 30 below) approximately twelve (12) months later, and (y) approximately six (6) months during which an option granted pursuant to the Plan may be exercised, (i) commencing on the first Trading Day on or after June 1 of each year and terminating on the first Trading Day on or after December 1, approximately six (6) months later. The duration and timing of Offering Periods may be changed pursuant to Sections 4 and 20.

(x) "Parent" means a "parent corporation," whether now or hereafter existing, as defined in Section 424(e) of the Code.

(y) "Participant" means an Eligible Employee that participates in the Plan.

(z) "Plan" means this Aerohive Networks, Inc. 2014 Employee Stock Purchase Plan.

(aa) "Purchase Period" means the period during an Offering Period and during which shares of Common Stock may be purchased on a Participant's behalf in accordance with the terms of the Plan. Unless the Administrator provides otherwise, Purchase Periods will be the approximately six (6) month period commencing after one Exercise Date and ending with the next Exercise Date, except that the first Purchase Period of any Offering Period will commence on the Enrollment Date and end with the next Exercise Date.

(bb) "Purchase Price" means an amount equal to eighty-five percent (85%) of the Fair Market Value of a share of Common Stock on the Enrollment Date or on the Exercise Date, whichever is lower; provided however, that the Purchase Price may be determined for subsequent Offering Periods by the Administrator subject to compliance with Section 423 of the Code (or any successor rule or provision or any other Applicable Law, regulation or stock exchange rule) or pursuant to Section 20.

(cc) "Subsidiary" means a "subsidiary corporation," whether now or hereafter existing, as defined in Section 424(f) of the Code.

(dd) "Trading Day" means a day on which the national stock exchange upon which the Common Stock is listed is open for trading.

(ee) "U.S. Treasury Regulations" means the Treasury regulations of the Code. Reference to a specific Treasury Regulation or Section of the Code shall include such Treasury Regulation or Section, any valid regulation promulgated under such Section, and any comparable provision of any future legislation or regulation amending, supplementing or superseding such Section or regulation.

3. Eligibility.

(a) First Offering Period. Any individual who is an Eligible Employee immediately prior to the first Offering Period will be automatically enrolled in the first Offering Period.

(b) Subsequent Offering Periods. Any Eligible Employee on a given Enrollment Date subsequent to the first Offering Period will be eligible to participate in the Plan, subject to the requirements of Section 5.

(c) Non-U.S. Employees. Eligible Employees who are citizens or residents of a non-U.S. jurisdiction (without regard to whether they also are citizens or residents of the United States or resident aliens (within the meaning of Section 7701(b)(1)(A) of the Code)) may be excluded from participation in the Plan or an Offering if the participation of such Eligible Employees is prohibited under the laws of the applicable jurisdiction or if complying with the laws of the applicable jurisdiction would cause the Plan or an Offering to violate Section 423 of the Code. In the case of the Non-423 Component, an Eligible Employee may be excluded from participation in the Plan or an Offering if the Administrator has determined that participation of such Eligible Employee is not advisable or practicable.

(d) Limitations. Any provisions of the Plan to the contrary notwithstanding, no Eligible Employee will be granted an option under the Plan (i) to the extent that, immediately after the grant, such Eligible Employee (or any other person whose stock would be attributed to such Eligible Employee pursuant to Section 424 (d) of the Code) would own capital stock of the Company or any Parent or Subsidiary of the Company and/or hold outstanding options to purchase such stock possessing five percent (5%) or more of the total combined voting power or value of all classes of the capital stock of the Company or of any Parent or Subsidiary of the Company, or (ii) to the extent that his or her rights to purchase stock under all employee stock purchase plans (as defined in Section 423 of the Code) of the Company or any Parent or Subsidiary of the Company accrues at a rate, which exceeds twenty-five thousand dollars (\$25,000) worth of stock (determined at the Fair Market Value of the stock at the time such option is granted) for each calendar year in which such option is outstanding at any time, as determined in accordance with Section 423 of the Code and the regulations thereunder.

4. Offering Periods. The Plan will be implemented by consecutive, overlapping Offering Periods with a new Offering Period commencing on the first Trading Day on or after June 1 and December 1 each year, or on such other date as the Administrator will determine. The Administrator will have the power to change the duration of Offering Periods (including the commencement dates)

thereof) with respect to future Offerings without stockholder approval if such change is announced prior to the scheduled beginning of the first Offering Period to be affected thereafter; provided, however, that no Offering Period may last more than twenty-seven (27) months.

5. Participation. An Eligible Employee may participate in the Plan pursuant to Section 3(b) by (i) submitting to the Company's stock administration office (or its designee), on or before a date determined by the Administrator prior to an applicable Enrollment Date, a properly completed subscription agreement authorizing Contributions in the form provided by the Administrator for such purpose, or (ii) following an electronic or other enrollment procedure determined by the Administrator.

6. Contributions.

(a) At the time a Participant enrolls in the Plan pursuant to Section 5, he or she will elect to have Contributions (in the form of payroll deductions or otherwise, to the extent permitted by the Administrator) made on each pay day during the Offering Period in an amount not exceeding twenty percent (20%) of the Compensation, which he or she receives on each pay day during the Offering Period (for illustrative purposes, should a pay day occur on an Exercise Date, a Participant will have any Contributions made on such day applied to his or her account under the then-current Purchase Period or Offering Period). The Administrator, in its sole discretion, may permit all Participants in a specified Offering to contribute amounts to the Plan through payment by cash, check or other means set forth in the subscription agreement prior to each Exercise Date of each Purchase Period or Offering Period. A Participant's subscription agreement will remain in effect for successive Offering Periods unless terminated as provided in Section 10 hereof.

(b) In the event Contributions are made in the form of payroll deductions, such payroll deductions for a Participant will commence on the first pay day following the Enrollment Date and will end on the last pay day prior to the Exercise Date of such Offering Period to which such authorization is applicable, unless sooner terminated by the Participant as provided in Section 10 hereof; provided, however, that for the first Offering Period, payroll deductions will commence on the first pay day on or following the end of the Enrollment Window.

(c) All Contributions made for a Participant will be credited to his or her account under the Plan and Contributions will be made in whole percentages of his or her Compensation only. A Participant may not make any additional payments into such account.

(d) A Participant may discontinue his or her participation in the Plan as provided in Section 10. Unless and until determined otherwise by the Administrator, in its sole discretion, a Participant may not increase the rate of his or her Contribution during any Offering Period, and may only decrease the rate of his or her Contributions one (1) time during any Purchase Period to zero percent (0%) (and not to any other percent) (the "0% Rate"), in accordance with the procedures set forth in this subsection (d). Any 0% Rate will apply only to the then-ongoing Purchase Period or Offering Period (as applicable), and any subsequent Purchase Periods and Offering Periods will resume at the Contribution rate that was in effect for the Participant as of immediately before the 0% Rate became effective, unless the Participant has discontinued his or her participation in the Plan as provided

in Section 10 or made any Contribution adjustments applicable to future Purchase Periods or Offering Periods in accordance with the Plan terms. A Participant may make a Contribution rate adjustment pursuant to this subsection (d) by (i) properly completing and submitting to the Company's stock administration office (or its designee), a new subscription agreement authorizing the change in Contribution rate in the form provided by the Administrator for such purpose, or (ii) following an electronic or other procedure prescribed by the Administrator, in either case, on or before a date determined by the Administrator. If a Participant has not followed such procedures to change the rate of his or her Contributions, the rate of his or her Contributions will continue at the originally elected rate throughout the then-ongoing Purchase Period and Offering Period (unless the Participant has discontinued his or her participation in the Plan as provided in Section 10). The Administrator may, in its sole discretion, limit or amend the nature and/or number of Contribution rate changes (including to permit, prohibit and/or limit increases and/or decreases to rate changes) that may be made by Participants during any Purchase Period or Offering Period, and may establish such other conditions or limitations as it deems appropriate for Plan administration. Any change in Contribution rate made pursuant to this Section 6(d) will be effective as of the first full payroll period following five (5) business days after the date on which the change is made by the Participant (unless the Administrator, in its sole discretion, elects to process a given change in Contribution rate earlier).

(e) Notwithstanding the foregoing, to the extent necessary to comply with Section 423(b)(8) of the Code and Section 3(d), a Participant's Contributions may be decreased to zero percent (0%) at any time during an Offering Period (or Purchase Period, as applicable). Subject to Section 423(b)(8) of the Code and Section 3(d) hereof, Contributions will recommence at the rate originally elected by the Participant effective as of the beginning of the first Offering Period (or Purchase Period, as applicable) scheduled to end in the following calendar year, unless terminated by the Participant as provided in Section 10.

(f) Notwithstanding any provisions to the contrary in the Plan, the Administrator may allow Eligible Employees to participate in the Plan via cash contributions instead of payroll deductions if (i) payroll deductions are not permitted or advisable under applicable local law, (ii) the Administrator determines that cash contributions are permissible under Section 423 of the Code or (iii) for Participants participating in the Non-423 Component.

(g) At the time the option is exercised, in whole or in part, or at the time some or all of the Common Stock issued under the Plan is disposed of (or any other time that a taxable event related to the Plan occurs), the Participant must make adequate provision for the Company's or Employer's federal, state, local or any other tax liability payable to any authority including taxes imposed by jurisdictions outside of the U.S., national insurance, social security or other tax withholding obligations, if any, which arise upon the exercise of the option or the disposition of the Common Stock (or any other time that a taxable event related to the Plan occurs). At any time, the Company or the Employer may, but will not be obligated to, withhold from the Participant's compensation the amount necessary for the Company or the Employer to meet applicable withholding obligations, including any withholding required to make available to the Company or the Employer any tax deductions or benefits attributable to sale or early disposition of Common Stock by the Eligible Employee. In addition, the Company or

the Employer may, but will not be obligated to, withhold from the proceeds of the sale of Common Stock or any other method of withholding the Company or the Employer deems appropriate to the extent permitted by U.S. Treasury Regulation Section 1.423-2(f).

7. Grant of Option. On the Enrollment Date of each Offering Period, each Eligible Employee participating in such Offering Period will be granted an option to purchase on each Exercise Date during such Offering Period (at the applicable Purchase Price) up to a number of shares of Common Stock determined by dividing such Eligible Employee's Contributions accumulated prior to such Exercise Date and retained in the Eligible Employee's account as of the Exercise Date by the applicable Purchase Price; provided that in no event will an Eligible Employee be permitted to purchase during each Offering Period more than 5,000 shares of Common Stock (subject to any adjustment pursuant to Section 19) and provided further that such purchase will be subject to the limitations set forth in Sections 3(c) and 13. The Eligible Employee may accept the grant of such option (i) with respect to the first Offering Period by submitting a properly completed subscription agreement in accordance with the requirements of Section 5 on or before the last day of the Enrollment Window, and (ii) with respect to any subsequent Offering Period under the Plan, by electing to participate in the Plan in accordance with the requirements of Section 5. The Administrator may, for future Offering Periods, increase or decrease, in its absolute discretion, the maximum number of shares of Common Stock that an Eligible Employee may purchase during each Purchase Period or Offering Period, as applicable. Exercise of the option will occur as provided in Section 8, unless the Participant has withdrawn pursuant to Section 10. The option will expire on the last day of the Offering Period.

8. Exercise of Option.

(a) Unless a Participant withdraws from the Plan as provided in Section 10, his or her option for the purchase of shares of Common Stock will be exercised automatically on the Exercise Date, and the maximum number of full shares subject to the option will be purchased for such Participant at the applicable Purchase Price with the accumulated Contributions from his or her account; provided, however, that for Participants participating in an Offering under the Non-Section 423 Component in the jurisdiction of the People's Republic of China, the Company, in its sole discretion, may either (i) in lieu of exercising the option to purchase shares of Common Stock, settle the option in cash in an amount equal to the number of shares of Common Stock the Participant would have otherwise been able to purchase on such Exercise Date multiplied by the Fair Market Value of a share of Common Stock on such Exercise Date (a "Cash Settlement"), (ii) following the exercise of the option, repurchase the Shares purchased pursuant to the exercise of the option for cash on such Exercise Date at a per share purchase price equal to the Fair Market Value of a share of Common Stock on such Exercise Date (a "Cash Repurchase"), or (c) following the exercise of the option, deliver shares of Common Stock pursuant to such procedures as required by Applicable Law. No fractional shares of Common Stock will be purchased; any Contributions accumulated in a Participant's account, which are not sufficient to purchase a full share will be retained in the Participant's account for the subsequent Purchase Period or Offering Period, as applicable, subject to earlier withdrawal by the Participant as provided in Section 10. Any other funds left over in a Participant's account after the Exercise Date will be returned to the

Participant. During a Participant's lifetime, a Participant's option to purchase shares of Common Stock hereunder is exercisable only by him or her.

(b) If the Administrator determines that, on a given Exercise Date, the number of shares of Common Stock with respect to which options are to be exercised may exceed (i) the number of shares of Common Stock that were available for sale under the Plan on the Enrollment Date of the applicable Offering Period, or (ii) the number of shares of Common Stock available for sale under the Plan on such Exercise Date, the Administrator may in its sole discretion (x) provide that the Company will make a pro rata allocation of the shares of Common Stock available for purchase on such Enrollment Date or Exercise Date, as applicable, in as uniform a manner as will be practicable and as it will determine in its sole discretion to be equitable among all Participants exercising options to purchase Common Stock on such Exercise Date, and continue all Offering Periods then in effect or (y) provide that the Company will make a pro rata allocation of the shares available for purchase on such Enrollment Date or Exercise Date, as applicable, in as uniform a manner as will be practicable and as it will determine in its sole discretion to be equitable among all participants exercising options to purchase Common Stock on such Exercise Date, and terminate any or all Offering Periods then in effect pursuant to Section 20. The Company may make a pro rata allocation of the shares available on the Enrollment Date of any applicable Offering Period pursuant to the preceding sentence, notwithstanding any authorization of additional shares for issuance under the Plan by the Company's stockholders subsequent to such Enrollment Date.

9. Delivery. As soon as reasonably practicable after each Exercise Date on which a purchase of shares of Common Stock occurs, the Company will arrange the delivery to each Participant of the shares purchased upon exercise of his or her option in a form determined by the Administrator (in its sole discretion) and pursuant to rules established by the Administrator. The Company may permit or require that shares be deposited directly with a broker designated by the Company or to a trustee or designated agent of the Company, and the Company may utilize electronic or automated methods of share transfer. The Company may require that shares be retained with such broker, trustee or agent for a designated period of time and/or may establish other procedures to permit tracking of disqualifying dispositions or other dispositions of such shares. No Participant will have any voting, dividend, or other stockholder rights with respect to shares of Common Stock subject to any option granted under the Plan until such shares have been purchased and delivered to the Participant as provided in this Section 9.

10. Withdrawal.

(a) A Participant may withdraw all but not less than all the Contributions credited to his or her account and not yet used to exercise his or her option under the Plan at any time by (i) submitting to the Company's stock administration office (or its designee) a written notice of withdrawal in the form determined by the Administrator for such purpose (which may be similar to the form attached hereto as Exhibit B), or (ii) following an electronic or other withdrawal procedure determined by the Administrator. All of the Participant's Contributions credited to his or her account will be paid to such Participant promptly after receipt of notice of withdrawal and such Participant's

option for the Offering Period will be automatically terminated, and no further Contributions for the purchase of shares will be made for such Offering Period. If a Participant withdraws from an Offering Period, Contributions will not resume at the beginning of the succeeding Offering Period, unless the Participant re-enrolls in the Plan in accordance with the provisions of Section 5.

(b) A Participant's withdrawal from an Offering Period will not have any effect upon his or her eligibility to participate in any similar plan that may hereafter be adopted by the Company or in succeeding Offering Periods that commence after the termination of the Offering Period from which the Participant withdraws.

11. Termination of Employment. Upon a Participant's ceasing to be an Eligible Employee, for any reason, he or she will be deemed to have elected to withdraw from the Plan and the Contributions credited to such Participant's account during the Offering Period but not yet used to purchase shares of Common Stock under the Plan will be returned to such Participant or, in the case of his or her death, to the person or persons entitled thereto under Section 15, and such Participant's option will be automatically terminated. Unless determined otherwise by the Administrator in a manner that, with respect to an Offering under the 423 Component, is permitted by, and compliant with, Section 423 of the Code, a Participant whose employment transfers between entities through a termination with an immediate rehire (with no break in service) by the Company or a Designated Company shall not be treated as terminated under the Plan; however, if a Participant transfers from an Offering under the 423 Component to the Non-423 Component, the exercise of the option shall be qualified under the 423 Component only to the extent it complies with Section 423 of the Code; further, no Participant will be deemed to switch from an Offering under the Non-423 Component to an Offering under the 423 Component or vice versa unless (and then only to the extent) such switch would not cause the 423 Component or any option thereunder to fail to comply with Section 423 of the Code.

12. Interest. No interest will accrue on the Contributions of a participant in the Plan, except as may be required by Applicable Law, as determined by the Company, and if so required by the laws of a particular jurisdiction, shall apply to all Participants in the relevant Offering under the 423 Component, except to the extent otherwise permitted by U.S. Treasury Regulation Section 1.423-2(f).

13. Stock.

(a) Subject to adjustment upon changes in capitalization of the Company as provided in Section 19 hereof, the maximum number of shares of Common Stock that will be made available for sale under the Plan will be 3,030,681 shares of Common Stock, plus (i) an annual increase to be added on the first day of each of the 2016 Fiscal Year and 2017 Fiscal Year equal to the least of (A) 1,000,000 shares of Common Stock, (B) two percent (2%) of the outstanding shares of Common Stock on such date, or (C) an amount determined by the Administrator; and (ii) an annual increase to be added on the first day of each Fiscal Year beginning with the 2018 Fiscal Year equal to the least of (A) 1,000,000 shares of Common Stock, (B) one percent (1%) of the outstanding shares of Common Stock on such date, or (C) an amount determined by the Administrator. For the avoidance of doubt, the number of shares of Common Stock reserved for issuance under the Plan shall be reduced by any shares of Common Stock actually issued and delivered under the Plan (including Cash Repurchases),

but shall not be reduced by the number of shares of Common Stock referenced for purposes of determining the amount of any Cash Settlement.

(b) Until the shares are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), a Participant will only have the rights of an unsecured creditor with respect to such shares, and no right to vote or receive dividends or any other rights as a stockholder will exist with respect to such shares.

(c) Shares of Common Stock to be delivered to a Participant under the Plan will be registered in the name of the Participant or in the name of the Participant and his or her spouse.

14. Administration. The Plan will be administered by the Board or a Committee appointed by the Board, which Committee will be constituted to comply with Applicable Laws. The Administrator will have full and exclusive discretionary authority to construe, interpret and apply the terms of the Plan, to delegate ministerial duties to any of the Company's employees, to designate separate Offerings under the Plan, to designate Subsidiaries and Affiliates as participating in the 423 Component or Non-423 Component, to determine eligibility, to adjudicate all disputed claims filed under the Plan and to establish such procedures that it deems necessary or advisable for the administration of the Plan (including, without limitation, to adopt such procedures and sub-plans as are necessary or appropriate to permit the participation in the Plan by employees who are foreign nationals or employed outside the U.S., the terms of which sub-plans may take precedence over other provisions of this Plan, with the exception of Section 13(a) hereof, but unless otherwise superseded by the terms of such sub-plan, the provisions of this Plan shall govern the operation of such sub-plan). Unless otherwise determined by the Administrator, the Employees eligible to participate in each sub-plan will participate in a separate Offering or in the Non-423 Component. Without limiting the generality of the foregoing, the Administrator is specifically authorized to adopt rules and procedures regarding eligibility to participate, the definition of Compensation, handling of Contributions, making of Contributions to the Plan (including, without limitation, in forms other than payroll deductions), establishment of bank or trust accounts to hold Contributions, payment of interest, conversion of local currency, obligations to pay payroll tax, determination of beneficiary designation requirements, withholding procedures and handling of stock certificates that vary with applicable local requirements. The Administrator also is authorized to determine that, to the extent permitted by U.S. Treasury Regulation Section 1.423-2(f), the terms of an option granted under the Plan or an Offering to citizens or residents of a non-U.S. jurisdiction will be less favorable than the terms of options granted under the Plan or the same Offering to employees resident solely in the U.S. Every finding, decision and determination made by the Administrator will, to the full extent permitted by law, be final and binding upon all parties.

15. Designation of Beneficiary.

(a) If permitted by the Administrator, a Participant may file a designation of a beneficiary who is to receive any shares of Common Stock and cash, if any, from the Participant's account under the Plan in the event of such Participant's death subsequent to an Exercise Date on which the option is exercised but prior to delivery to such Participant of such shares and cash. In addition, if permitted by the Administrator, a Participant may file a designation of a beneficiary who is to receive

any cash from the Participant's account under the Plan in the event of such Participant's death prior to exercise of the option. If a Participant is married and the designated beneficiary is not the spouse, spousal consent will be required for such designation to be effective.

(b) Such designation of beneficiary may be changed by the Participant at any time by notice in a form determined by the Administrator. In the event of the death of a Participant and in the absence of a beneficiary validly designated under the Plan who is living at the time of such Participant's death, the Company will deliver such shares and/or cash to the executor or administrator of the estate of the Participant, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may deliver such shares and/or cash to the spouse or to any one or more dependents or relatives of the Participant, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

(c) All beneficiary designations will be in such form and manner as the Administrator may designate from time to time. Notwithstanding Sections 15(a) and (b) above, the Company and/or the Administrator may decide not to permit such designations by Participants in non-U.S. jurisdictions to the extent permitted by U.S. Treasury Regulation Section 1.423-2(f).

16. Transferability. Neither Contributions credited to a Participant's account nor any rights with regard to the exercise of an option or to receive shares of Common Stock under the Plan may be assigned, transferred, pledged or otherwise disposed of in any way (other than by will, the laws of descent and distribution or as provided in Section 15 hereof) by the Participant. Any such attempt at assignment, transfer, pledge or other disposition will be without effect, except that the Company may treat such act as an election to withdraw funds from an Offering Period in accordance with Section 10 hereof.

17. Use of Funds. The Company may use all Contributions received or held by it under the Plan for any corporate purpose, and the Company will not be obligated to segregate such Contributions except under Offerings or for Participants in the Non-423 Component for which Applicable Laws require that Contributions to the Plan by Participants be segregated from the Company's general corporate funds and/or deposited with an independent third party. Until shares of Common Stock are issued, Participants will only have the rights of an unsecured creditor with respect to such shares.

18. Reports. Individual accounts will be maintained for each Participant in the Plan. Statements of account will be given to participating Eligible Employees at least annually, which statements will set forth the amounts of Contributions, the Purchase Price, the number of shares of Common Stock purchased and the remaining cash balance, if any.

19. Adjustments, Dissolution, Liquidation, Merger or Change in Control.

(a) Adjustments. In the event that any dividend or other distribution (whether in the form of cash, Common Stock, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Common Stock or other securities of the Company, or other change in the corporate structure of the Company affecting the Common Stock occurs, the Administrator, in order to prevent dilution or

enlargement of the benefits or potential benefits intended to be made available under the Plan, will, in such manner as it may deem equitable, adjust the number and class of Common Stock that may be delivered under the Plan, the Purchase Price per share, the class and the number of shares of Common Stock covered by each option under the Plan that has not yet been exercised, and the numerical limits of Sections 7 and 13.

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, any Offering Period then in progress will be shortened by setting a New Exercise Date, and will terminate immediately prior to the consummation of such proposed dissolution or liquidation, unless provided otherwise by the Administrator. The New Exercise Date will be before the date of the Company's proposed dissolution or liquidation. The Administrator will notify each Participant in writing or electronically, prior to the New Exercise Date, that the Exercise Date for the Participant's option has been changed to the New Exercise Date and that the Participant's option will be exercised automatically on the New Exercise Date, unless prior to such date the Participant has withdrawn from the Offering Period as provided in Section 10 hereof.

(c) Merger or Change in Control. In the event of a merger or Change in Control, each outstanding option will be assumed or an equivalent option substituted by the successor corporation or a Parent or Subsidiary of the successor corporation. In the event that the successor corporation refuses to assume or substitute for the option, the Offering Period with respect to which such option relates will be shortened by setting a New Exercise Date on which such Offering Period shall end. The New Exercise Date will occur before the date of the Company's proposed merger or Change in Control. The Administrator will notify each Participant in writing or electronically prior to the New Exercise Date, that the Exercise Date for the Participant's option has been changed to the New Exercise Date and that the Participant's option will be exercised automatically on the New Exercise Date, unless prior to such date the Participant has withdrawn from the Offering Period as provided in Section 10 hereof.

20. Amendment or Termination.

(a) The Administrator, in its sole discretion, may amend, suspend, or terminate the Plan, or any part thereof, at any time and for any reason. If the Plan is terminated, the Administrator, in its discretion, may elect to terminate all outstanding Offering Periods either immediately or upon completion of the purchase of shares of Common Stock on the next Exercise Date (which may be sooner than originally scheduled, if determined by the Administrator in its discretion), or may elect to permit Offering Periods to expire in accordance with their terms (and subject to any adjustment pursuant to Section 19). If the Offering Periods are terminated prior to expiration, all amounts then credited to Participants' accounts that have not been used to purchase shares of Common Stock will be returned to the Participants (without interest thereon, except as otherwise required under Applicable Laws, as further set forth in Section 12 hereof) as soon as administratively practicable.

(b) Without stockholder consent and without limiting Section 20(a), the Administrator will be entitled to change the Offering Periods and Purchase Periods, designate separate Offerings, limit the frequency and/or number of changes in the amount withheld during an Offering Period, establish the exchange ratio applicable to amounts withheld in a currency other than U.S. dollars,

permit Contributions in excess of the amount designated by a Participant in order to adjust for delays or mistakes in the Company's processing of properly completed Contribution elections, establish reasonable waiting and adjustment periods and/or accounting and crediting procedures to ensure that amounts applied toward the purchase of Common Stock for each Participant properly correspond with Contribution amounts, and establish such other limitations or procedures as the Administrator determines in its sole discretion advisable that are consistent with the Plan.

(c) In the event the Administrator determines that the ongoing operation of the Plan may result in unfavorable financial accounting consequences, the Administrator may, in its discretion and, to the extent necessary or desirable, modify, amend or terminate the Plan to reduce or eliminate such accounting consequence including, but not limited to:

(i) amending the Plan to conform with the safe harbor definition under the Financial Accounting Standards Board Accounting Standards Codification Topic 718 (or any successor thereto), including with respect to an Offering Period underway at the time;

(ii) altering the Purchase Price for any Offering Period or Purchase Period including an Offering Period or Purchase Period underway at the time of the change in Purchase Price;

(iii) shortening any Offering Period or Purchase Period by setting a New Exercise Date, including an Offering Period or Purchase Period underway at the time of the Administrator action;

(iv) reducing the maximum percentage of Compensation a Participant may elect to set aside as Contributions; and

(v) reducing the maximum number of shares of Common Stock a Participant may purchase during any Offering Period or Purchase Period.

Such modifications or amendments will not require stockholder approval or the consent of any Plan Participants.

21. Notices. All notices or other communications by a Participant to the Company under or in connection with the Plan will be deemed to have been duly given when received in the form and manner specified by the Company at the location, or by the person, designated by the Company for the receipt thereof.

22. Conditions Upon Issuance of Shares. Shares of Common Stock will not be issued with respect to an option unless the exercise of such option and the issuance and delivery of such shares pursuant thereto will comply with all applicable provisions of law, domestic or foreign, including, without limitation, the Securities Act of 1933, as amended, the Exchange Act, the rules and regulations promulgated thereunder, and the requirements of any stock exchange upon which the shares may then be listed, and will be further subject to the approval of counsel for the Company with respect to such compliance.

As a condition to the exercise of an option, the Company may require the person exercising such option to represent and warrant at the time of any such exercise that the shares are being purchased only for investment and without any present intention to sell or distribute such shares if, in the opinion of counsel for the Company, such a representation is required by any of the aforementioned applicable provisions of law.

23. Code Section 409A. The 423 Component of the Plan is exempt from the application of Code Section 409A and any ambiguities herein will be interpreted to so be exempt from Code Section 409A. In furtherance of the foregoing and notwithstanding any provision in the Plan to the contrary, if the Administrator determines that an option granted under the Plan may be subject to Code Section 409A or that any provision in the Plan would cause an option under the Plan to be subject to Code Section 409A, the Administrator may amend the terms of the Plan and/or of an outstanding option granted under the Plan, or take such other action the Administrator determines is necessary or appropriate, in each case, without the Participant's consent, to exempt any outstanding option or future option that may be granted under the Plan from or to allow any such options to comply with Code Section 409A, but only to the extent any such amendments or action by the Administrator would not violate Code Section 409A. Notwithstanding the foregoing, the Company shall have no liability to a Participant or any other party if the option to purchase Common Stock under the Plan that is intended to be exempt from or compliant with Code Section 409A is not so exempt or compliant or for any action taken by the Administrator with respect thereto. The Company makes no representation that the option to purchase Common Stock under the Plan is compliant with Code Section 409A.

24. Term of Plan. The Plan will become effective as of the business day immediately prior to the Registration Date. It will continue in effect for a term of ten (10) years, unless sooner terminated under Section 20.

25. Stockholder Approval. The Plan will be subject to approval by the stockholders of the Company within twelve (12) months after the date the Plan is adopted by the Board. Such stockholder approval will be obtained in the manner and to the degree required under Applicable Laws.

26. Governing Law. The Plan shall be governed by, and construed in accordance with, the laws of the State of California (except its choice-of-law provisions).

27. No Right to Employment. Participation in the Plan by a Participant shall not be construed as giving a Participant the right to be retained as an employee of the Company or a Subsidiary or Affiliate, as applicable. Furthermore, the Company or a Subsidiary or Affiliate may dismiss a Participant from employment at any time, free from any liability or any claim under the Plan.

28. Severability. If any provision of the Plan is or becomes or is deemed to be invalid, illegal, or unenforceable for any reason in any jurisdiction or as to any Participant, such invalidity, illegality or unenforceability shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as to such jurisdiction or Participant as if the invalid, illegal or unenforceable provision had not been included.

29. Compliance with Applicable Laws. The terms of this Plan are intended to comply with all Applicable Laws and will be construed accordingly.

30. Automatic Transfer to Low Price Offering Period. To the extent permitted by Applicable Laws, if the Fair Market Value of a share of Common Stock on any Exercise Date in an Offering Period is lower than the Fair Market Value of a share of Common Stock on the Enrollment Date of such Offering Period, then all Participants in such Offering Period will be withdrawn automatically from such Offering Period immediately after the exercise of their option on such Exercise Date and re-enrolled automatically in the immediately following Offering Period as of the first day thereof at the Contribution rate that was in effect for the Participant as of immediately before such withdrawal and re-enrollment.

EXHIBIT A

**AEROHIVE NETWORKS, INC.
2014 EMPLOYEE STOCK PURCHASE PLAN
SUBSCRIPTION AGREEMENT**

____ Original Application Offering Date: _____

____ Change in Payroll Deduction Rate Offering Period: _____

1. I, _____, elect to participate in the Aerohive Networks, Inc. 2014 Employee Stock Purchase Plan (the "Plan") and subscribe for the Offering Period to purchase shares of Common Stock in accordance with the Plan, any sub-plan to the Plan for my country and this Subscription Agreement, including the Additional Terms & Conditions for non-U.S. Employees and the Appendix thereto. The Appendix may include terms and conditions which are in addition to, or in replacement of, the terms and conditions set forth in this Subscription Agreement.

2. I authorize payroll deductions from each paycheck during the Offering Period in the amount of _____% of my Compensation on each payday (from 0 to 20% - whole % only) in accordance with the Plan.

3. I understand that the payroll deductions will be accumulated for the purchase of shares of Common Stock at the applicable Purchase Price determined in accordance with the Plan. I understand that if I do not become ineligible to participate in the Plan or otherwise withdraw from the Offering Period, any accumulated payroll deductions will be used to automatically exercise my option and purchase Common Stock under the Plan on each Purchase Date.

4. I understand that unless I cancel my participation under the Plan, the elections I make in this Subscription Agreement will continue in effect through the Offering Period and for subsequent Offering Periods, provided that I remain eligible to participate under the Plan. I also understand that if I cancel my participation under the Plan, I will need to re-enroll in advance of a subsequent Offering Period in order to participate in that and subsequent Offering Periods.

5. I have received a copy of the complete Plan and its accompanying prospectus. I understand that my participation in the Plan is in all respects subject to the terms of the Plan. Capitalized terms used and not defined in this Subscription Agreement have the meaning given to them in the Plan.

6. I understand that shares of Common Stock purchased for me under the Plan should be issued in my own name. I also understand that the Company may require that shares of Common Stock that I acquire under the Plan be deposited directly with a broker designated by the Company or to a designated agent of the Company. I agree to use the Company's required designated broker or agent and trading platform for any transactions or dispositions of shares of Common Stock that I acquire under the Plan. In this regard, I understand these shares of Common Stock will be issued to my designated E*TRADE brokerage account, or such other brokerage account as may be designated by the Company in the future.

7. I understand that the Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding my participation in the Plan, or my purchase or subsequent sale of any shares of Common Stock purchase under the Plan. I understand that I should consult with my own personal tax, legal and financial advisors regarding my participation in the Plan before taking any action related to the Plan.

8. I understand that all transactions, including shares of Common Stock delivered to me pursuant to the Plan are subject to taxes applicable to me based on my country of residence and employment. The Company may, but is not obligated to, withhold the amount necessary to meet any applicable withholding obligation (including any withholding necessary to make available to the Company any tax deductions or benefits attributable to sale or early disposition of Common Stock by me) or withhold delivery of shares of Common Stock or proceeds otherwise due to me, as required under tax requirements applicable to me (including any withholding necessary to make available to the Company any tax deductions or benefits attributable to sale or early disposition of Common Stock by me). If I am subject to United States federal income tax and dispose of such shares of Common Stock at any time after the expiration of the two (2)-year and one (1)-year holding periods, I understand that I will be treated for United States federal income tax purposes as having received income only at the time of such disposition, and that such income will be taxed as ordinary income only to the extent of an amount equal to the lesser of (a) the excess of the fair market value of the shares of Common Stock at the time of such disposition over the Purchase Price which I paid for the shares of Common Stock, or (b) 15% of the fair market value of the shares on the first day of the Offering Period. Notwithstanding the foregoing, I understand that, regardless of my country of residence or employment, I am solely responsible and liable for any taxes that may arise from my participation in, and/or my purchase, disposition or transfer of shares of Common Stock that I acquire under, the Plan.

9. I acknowledge that I may be subject to insider trading restrictions and/or market abuse laws in applicable jurisdictions including, but not limited to, the United States and my country of residence, which may affect my ability to acquire or sell shares of Common Stock or rights to shares of Common Stock (e.g., options to purchase shares of Common Stock) under the Plan during such time as I am considered to have "inside information" regarding the Company (as defined by the laws in the applicable jurisdictions). Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable insider trading policy of the Company. I am responsible for ensuring compliance with any applicable restrictions and should consult with my personal legal advisor on this matter.

10. Depending on my country, I may be subject to foreign asset/account, exchange control and/or tax reporting requirements as a result of the option to purchase shares of Common Stock, the acquisition, holding and/or transfer of shares of Common Stock or cash resulting from participation in the Plan and/or the opening and maintaining of a brokerage or bank account in connection with the Plan. I may be required to report such assets, accounts, account balances and values, and/or related transactions to the applicable authorities in my country. I may also be required to repatriate sale proceeds or other funds received as a result of my participation in the Plan to my country through a designated bank or broker and/or within a certain time after receipt. I acknowledge that I am responsible for ensuring compliance with any applicable foreign asset/account, exchange control and tax reporting and

other requirements. I further understand that I should consult my personal tax and legal advisors, as applicable on these matters.

11. This Subscription Agreement will be governed by the laws of California without giving effect to the conflict of law principles thereof. For purposes of litigating any dispute concerning the grant of the option to purchase shares of Common Stock or this Subscription Agreement, I consent to the jurisdiction of the State of California, and agree that such litigation will be conducted in the courts of Santa Clara County, California, or the federal courts for the United States for the Northern District of California, and no other courts, where this grant is made and/or to be performed.

12. I acknowledge that the Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. I hereby consent to receive such documents by electronic delivery and agree to participate in the Plan through an online or electronic system established and maintained by the Company or a third party designated by the Company, including, without limitation, E*Trade.

13. The Company, at its option, may elect to terminate, suspend or modify the terms of the Plan at any time, to the extent permitted by the Plan. I agree to be bound by such termination, suspension or modification regardless of whether notice is given to me of such event, subject in any case to my right to timely withdraw from the Plan in accordance with the Plan withdrawal procedures then in effect. I acknowledge and agree that the Company may impose other requirements on my participation in the Plan and on any shares of Common Stock purchased under the Plan, to the extent that the Administrator determines that such requirements are necessary or advisable for legal or administrative reasons, and that the Company may require me to sign any additional agreements or undertakings that the Company determines, in its sole discretion, are necessary to accomplish the foregoing.

14. My participation in the Plan and any option granted under the Plan shall be subject to any special terms and conditions for my country set forth in the Appendix. Moreover, if I relocate to one of the countries included in the Appendix, the special terms and conditions for such country will apply to me, to the extent that the Administrator determines that application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Appendix constitutes part of this Subscription Agreement.

15. I acknowledge that a waiver by the Company of my breach of any provision of this Subscription Agreement, including the Appendix, shall not operate or be construed as a waiver of any other provision of this Subscription Agreement, including the Appendix, or of any subsequent breach by me or any other Participant.

16. I agree to be bound by the terms of the Plan, this Subscription Agreement, any sub-plan to the Plan for my country and this Subscription Agreement, including the Additional Terms & Conditions for non-U.S. Employees and the Appendix thereto. The effectiveness of this Subscription Agreement is dependent upon my eligibility to participate in the Plan.

Employee's Social

Security Number: _____

Employee's Address: _____

I UNDERSTAND THAT THIS SUBSCRIPTION AGREEMENT WILL REMAIN IN EFFECT THROUGHOUT SUCCESSIVE OFFERING PERIODS UNLESS TERMINATED BY ME.

Dated: __ ____

Signature of Employee

EXHIBIT B

AEROHIVE NETWORKS, INC.

2014 EMPLOYEE STOCK PURCHASE PLAN

NOTICE OF WITHDRAWAL

The undersigned participant in the Offering Period of the Aerohive Networks, Inc. 2014 Employee Stock Purchase Plan that began on _____, _____ (the "Offering Date") hereby notifies the Company that he or she hereby withdraws from the Offering Period. He or she hereby directs the Company to pay to the undersigned as promptly as practicable all the payroll deductions credited to his or her account with respect to such Offering Period. The undersigned understands and agrees that his or her option for such Offering Period will be automatically terminated. The undersigned understands further that no further payroll deductions will be made for the purchase of shares in the current Offering Period and the undersigned will be eligible to participate in succeeding Offering Periods only by delivering to the Company a new Subscription Agreement.

Name and Address of Participant:

Signature:

Date: __

ADDITIONAL TERMS & CONDITIONS

FOR NON-U.S. EMPLOYEES

These Additional Terms & Conditions for Non-U.S. Employees, which are a part of the Subscription Agreement, contain additional terms and conditions that govern my option to purchase shares of Common Stock under the Plan if I am located in any country other than the United States. Capitalized terms used and not defined in this Appendix have the meaning given to them in the Subscription Agreement and/or the Plan, as applicable.

I. Nature of Grant. By electing to participate in the Plan, I acknowledge, understand and agree that:

(a) the Plan is established voluntarily by the Company, is discretionary in nature and may be modified, amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan;

(b) the grant of the option under the Plan is exceptional, voluntary and occasional and does not create any contractual or other right to receive future grants of options to purchase shares of Common Stock, or benefits in lieu of options, even if options to purchase shares of Common Stock have been granted in the past;

(c) all decisions with respect to future grants of options to purchase shares of Common Stock or other grants, if any, will be at the sole discretion of the Company;

(d) the grant of the option to purchase shares of Common Stock and my participation in the Plan shall not create a right to employment or be interpreted as forming an employment or service contract with the Company, the Employer, or any Parent, Subsidiary, or Affiliate and shall not interfere with the ability of the Company, the Employer, or any Parent, Subsidiary, or Affiliate to terminate my employment at any time;

(e) I am voluntarily participating in the Plan;

(f) the grant of the option under the Plan and the shares of Common Stock purchased under the Plan, and any income and value derived from the same, are not intended to replace any pension rights or compensation;

(g) the grant of the option under the Plan and the shares of Common Stock purchased under the Plan, and the income and value of same, are not part of normal or expected compensation for any purposes including, without limitation, calculation of any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, long-service awards, leave-related payments, holiday pay, pension or retirement or welfare benefits or similar payments;

(h) the future value of the shares of Common Stock subject to the option is unknown, indeterminable, and cannot be predicted with certainty;

(i) the value of the shares of Common Stock purchased under the Plan may increase or decrease in the future, even below the Purchase Price;

(j) no claim or entitlement to compensation or damages shall arise from forfeiture of the option under the Plan resulting from termination of my employment (for any reason whatsoever, regardless of whether later found to be invalid or in breach of employment laws in the jurisdiction where I am employed or the terms of my employment agreement, if any);

(k) for purposes of my participation in the Plan, my employment will be considered terminated as of the date I am no longer actively providing services to the Employer (regardless of the reason for such termination and regardless of whether later found to be invalid or in breach of employment laws in the jurisdiction where I am employed or the terms of my employment agreement, if any), and my right to participate in the Plan, if any, will terminate effective as of my last day of active service and will not be extended by any notice period (e.g., active service would not include any contractual notice or any period of "garden leave" or similar period mandated under employment laws in the jurisdiction where I am employed or the terms of my employment agreement, if any); the Administrator shall have exclusive discretion to determine when I am no longer actively providing services for purposes of my participation in the Plan (including whether I am actively providing services while on a leave of absence); and

(l) neither the Company nor the Employer nor any Parent, Subsidiary, or Affiliate shall be liable for any foreign exchange rate fluctuation between my local currency and the United States Dollar that may affect the value of the shares of Common Stock underlying the option or any amounts due to me pursuant to my participation in the Plan or the subsequent sale of any shares of Common Stock acquired under the Plan.

II. Responsibility for Taxes. The following provision replaces Section 8 of the Subscription Agreement.

I acknowledge that, regardless of any action that the Company or, if different, my employer ("the Employer") takes with respect to any or all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to my participation in the Plan and legally applicable to me ("Tax-Related Items"), the ultimate liability for all Tax-Related Items is and remains my responsibility and may exceed the amount actually withheld by the Company or the Employer, as applicable. I further acknowledge that the Company and/or the Employer (a) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Plan, including, but not limited to, the grant of the option to purchase shares of Common Stock, the purchase and issuance of shares of Common Stock, the subsequent sale of shares of Common Stock purchased under the Plan and the receipt of any dividends; and (b) do not commit to and are under no obligation to structure the terms of the grant of the option or any aspect of the Plan to reduce or eliminate my liability for Tax-Related Items or to achieve any particular tax result. Further, if I am subject to Tax-Related Items in more than one jurisdiction, I acknowledge that the Company and/or the Employer

(or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to any relevant taxable or tax withholding event, as applicable, I shall pay or make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Items. In this regard, I authorize the Company and/or the Employer, or their respective agents, at their discretion, to satisfy any withholding obligation for Tax-Related Items by one or a combination of the following:

- (a) withholding from my wages or other cash compensation paid to me by the Company and/or the Employer; or
- (b) withholding from proceeds of the sale of shares of Common Stock acquired at purchase, either through a voluntary sale or through a mandatory sale (pursuant to this authorization without further consent); or
- (c) withholding in shares of Common Stock to be issued upon purchase.

Depending on the withholding method, the Company may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding rates or other applicable withholding rates, including maximum rates, in which case I may receive a refund of any over-withheld amounts in cash and will have no entitlement to the equivalent amount in shares of Common Stock. If the obligation for Tax-Related Items is satisfied by withholding in shares of Common Stock, for tax purposes, I am deemed to have been issued the full number of shares of Common Stock, notwithstanding that some shares of Common Stock are held back solely for the purpose of paying the Tax-Related Items.

Finally, I agree to pay to the Company or the Employer any number of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of my participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to issue or deliver shares of Common Stock or the proceeds of the sale of shares of Common Stock if I fail to comply with my obligations in connection with the Tax-Related Items.

III. Data Privacy Information and Consent:

The Company is located at 1011 McCarthy Boulevard, Milpitas, California 95035 U.S.A. and grants employees of the Company and its Subsidiaries and Affiliates options to purchase shares of Common Stock, at the Company's sole discretion. If I would like to participate in the Plan, I should review the following information about the Company's data processing practices and declare my consent.

- a) ***Data Collection and Usage.*** *The Company collects, processes and uses my personal data, including my name, home address and telephone number, date of birth, social insurance number or other identification number, salary, citizenship, job title, any shares of Common Stock or directorships held in the Company, and details of all options to purchase shares of Common Stock canceled, vested, or outstanding in my favor, which the Company receives from me or the Employer. If the Company offers me a grant of options to purchase shares*

of Common Stock under the Plan, then the Company will collect my personal data for purposes of allocating stock and implementing, administering and managing the Plan. The Company's legal basis for the processing of my personal data would be my consent.

- b) Stock Plan Administration Service Providers. The Company transfers participant data to E*Trade Financial Corporate Services, Inc. and E*Trade Securities LLC ("E*Trade"), an independent service provider based in the United States, which assists the Company with the implementation, administration and management of the Plan. In the future, the Company may select a different service provider and share my data with another company that serves in a similar manner. The Company's service provider will open an account for me to receive and trade shares of Common Stock. I will be asked to agree on separate terms and data processing practices with the service provider, which is a condition to my ability to participate in the Plan.*
- c) International Data Transfers. The Company and its service providers are based in the United States. I should note that my country may have enacted data privacy laws that are different from the United States. For example, the European Commission has issued a limited adequacy finding with respect to the United States that applies only to the extent companies register for the EU-U.S. Privacy Shield program, which is open to companies subject to Federal Trade Commission jurisdiction and which the Company does not participate with respect to employee data. The Company's legal basis for the transfer of my personal data is my consent.*
- d) Data Retention. The Company will use my personal data only as long as is necessary to implement, administer and manage my participation in the Plan or as required to comply with legal or regulatory obligations, including under tax and security laws. When the Company no longer needs my personal data, the Company will remove it from its systems. If the Company keeps data longer, it would be to satisfy legal or regulatory obligations and the Company's legal basis would be relevant laws or regulations.*
- e) Voluntariness and Consequences of Consent Denial or Withdrawal. My participation in the Plan and my grant of consent is purely voluntary. I may deny or withdraw my consent at any time. If I do not consent, or if I withdraw my consent, I cannot participate in the Plan. This would not affect my salary as an employee or my career; I would merely forfeit the opportunities associated with the Plan.*
- f) Data Subject Rights. I may have a number of rights under data privacy laws in my country. For example, in the E.U., my rights include the right to (a) request access or copies of personal data the Company processes, (b) rectification of incorrect data, (c) deletion of data, (d) restrictions on processing, (e) to lodge complaints with competent authorities in my country, and/or (f) request a list with the names and addresses of any potential recipients of my personal data. To receive clarification regarding my rights or to exercise my rights please contact the Company at 1011 McCarthy Boulevard, Milpitas, California 95035 U.S.A. Attention: Privacy@aerohive.com.*

By clicking on the data privacy acceptance box in the Company's electronic procedures, I am declaring that I agree with the data processing practices described herein and consent to the collection, processing and use of Data by the Company and the transfer of Data to the recipients mentioned above, including recipients located in countries which do not adduce an adequate level of protection from a European (or other non-U.S.) data protection law perspective, for the purposes described above.

Finally, upon request of the Company or the Employer, I agree to provide an executed data privacy consent form (or any other agreements or consents) that the Company and/or the Employer may deem necessary to obtain from me for the purpose of administering my participation in the Plan in compliance with the data privacy laws in my country, either now or in the future. I understand and agree that I will not be able to participate in the Plan if I fail to provide any such consent or agreement requested by the Company and/or the Employer.

I acknowledge that I am sufficiently proficient in English to understand the terms and conditions of this Subscription Agreement. I acknowledge and agree that if I have received this Subscription Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version differs from the English version, the English version shall control.

APPENDIX
COUNTRY-SPECIFIC PROVISIONS FOR
NON-U.S. EMPLOYEES

TERMS AND CONDITIONS

This Appendix, which is part of the Subscription Agreement, contains additional or different terms and conditions that govern my option to purchase shares of Common Stock under the Plan if I reside and/or work in any of the countries listed in this Appendix. Capitalized terms used and not defined in this Appendix have the meaning given to them in the Subscription Agreement and/or the Plan, as applicable.

If I am a citizen or resident of a country other than the one in which I am currently residing and/or working, am considered a resident of another country for local law purposes or transfer employment and/or residency to another country after enrolling in the Plan, the Administrator will, in its discretion, determine to what extent the terms and conditions herein will apply to me.

NOTIFICATIONS

This Appendix also includes notifications regarding exchange control and certain other issues of which individuals participating in the Plan (“Participants”) in those countries should be aware in connection with their participation in the Plan. The information is based on the exchange control, securities and other laws in effect in the respective countries as of May 2018. Such laws are often complex and change frequently. The Company therefore strongly recommends that Participants not rely on the information in this Appendix as the only source of information relating to the consequences of participation in the Plan because such information may be outdated when the option is exercised and shares of Common Stock are purchased and/or when shares of Common Stock purchased under the Plan are sold.

In addition, the information contained in this Appendix is general in nature and may not apply to a Participant’s situation. As a result, the Company cannot assure me of any particular result. Participants should seek appropriate professional advice as to how the relevant laws in each country may apply.

Finally, if a Participant is a citizen or resident of a country other than the one in which he or she is currently working and/or residing, is considered a resident of another country for local law purposes, or transfers employment and/or residency between countries after enrolling in the Plan, the information contained herein may not apply to him or her in the same manner.

AUSTRALIA

NOTIFICATIONS

Securities Law Information. If shares of Common Stock are purchased under the Plan and subsequently offered for sale to a person or entity resident in Australia, such an offer may be subject to disclosure requirements under Australian law. Participants should consult their personal legal advisors regarding any applicable disclosure requirements prior to making any such offer.

BELGIUM

There are no country-specific provisions.

BRAZIL

TERMS AND CONDITIONS

This provision supplements Section 2 of the Subscription Agreement:

I understand that, in addition to other procedures for enrolling in the Plan, I may be required to execute a letter of authorization such as is provided below and/or other agreements or consents to enable the Employer, or any Parent, Subsidiary, or Affiliate, to remit accumulated Contributions from Brazil to the United States of America for the purchase of shares of Common Stock under the Plan. I understand that if I fail to execute a letter of authorization or any other agreements or consents that may be required for the remittance of payroll deductions, I will not be able to participate in the Plan.

Compliance with Law. By electing to participate in the Plan, I agree to comply with all applicable Brazilian laws and to pay any and all applicable Tax-Related Items associated with the purchase and sale of shares of Common Stock acquired under the Plan, or the receipt of any dividends in the future.

NOTIFICATIONS

Exchange Control Information. Participants who are resident or domiciled in Brazil must submit a declaration of assets and rights held outside of Brazil, including shares of Common Stock acquired under the Plan, to the Central Bank if the aggregate value of such assets and rights is at least US\$100,000. Participants should consult their personal legal advisors for further details regarding this requirement.

Aerohive Networks, Inc.

2014 EMPLOYEE STOCK PURCHASE PLAN

FOR EMPLOYEES WHO ARE RESIDENTS OF OR EMPLOYED IN BRAZIL - AUTHORIZATION

To:

[Insert Name of Employer]

[Insert Address of Employer]

I, _____ (print full name and ID number), hereby authorize _____ [Insert Name of Employer], my employer, to remit funds, on my behalf, to the United States of America, to purchase shares of Common Stock in Aerohive Networks, Inc., as provided by Ruling No. 3,691/13 of the Central Bank, under the terms of the Aerohive Networks, Inc. 2014 Employee Stock Purchase Plan.

Signed at _____

(City, Country)

on _____, 20____

(Signature)

CANADA

TERMS AND CONDITIONS

This provision replaces Section I(k) of the Additional Terms and Conditions for non-U.S. Employees set forth above:

For purposes of my participation in the Plan, my employment will be considered terminated as of the earlier of: (i) the date on which my employment with the Company or any Parent, Subsidiary, or Affiliate is terminated; (ii) the date on which I receive a written notice of termination of employment regardless of any notice period or period of pay in lieu of such notice required under any employment laws in my country (including, without limitation, statutory law, regulatory law, and/or common law), even if such law is otherwise applicable to my benefits from the Employer; or (iii) the date on which I am no longer actively providing services to the Company or any Parent, Subsidiary, or Affiliate (regardless of the reason for such termination and regardless of whether it is later found to be invalid); the Administrator shall have the exclusive discretion to determine when I am no longer actively providing services for purposes of the Plan (including whether I am still actively providing services while on a leave of absence);

The following Terms and Conditions apply only to residents of Quebec:

The parties acknowledge that it is their express wish that the Subscription Agreement, as well as all documents, notices, and legal proceedings entered into, given, or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English.

Les parties reconnaissent avoir expressément souhaité que la convention de souscription [«Subscription Agreement»], ainsi que tous les documents, avis et procédures judiciaires, exécutés, donnés ou intentés en vertu de, ou lié, directement ou indirectement à la présente convention, soient rédigés en langue anglaise.

This provision supplements Section III of the Additional Terms and Conditions for non-U.S. Employees set forth above:

I hereby authorize the Company and the Company's representatives to discuss with and obtain all relevant information from all personnel, professional or not, involved in the administration and operation of the Plan. I further authorize the Company, the Employer, and/or any Parent, Subsidiary, or Affiliate, as well as E*Trade (or such other stock plan service provider as may be selected by the Company to assist with implementation, administration, and management of the Plan) to disclose and discuss such information with their advisors. I further authorize the Company, the Employer or any Parent, Subsidiary or Affiliate to record such information and to keep such information in my employee file.

NOTIFICATIONS

Securities Law Information. Shares of Common Stock acquired under the Plan may be sold through E*Trade or another designated broker selected by the Company, if any, provided the resale of shares of Common Stock acquired under the Plan takes place outside of Canada. The Common Stock is currently listed on the New York Stock Exchange in the United States of America.

CHINA

TERMS AND CONDITIONS

The following provisions apply to Participants in China who are subject to exchange control laws in the People's Republic of China ("PRC"), as determined by the Administrator in its sole and absolute discretion:

I understand that the Company may, in its discretion, (A) settle my share purchase in cash based on the number of shares of Common Stock I would have otherwise been able to purchase on the applicable Purchase Date multiplied by the Fair Market Value of a share of Common Stock on the Purchase Date, (B) purchase the shares of Common Stock to be delivered to me on the applicable Purchase Date, at the Fair Market Value of such shares on the Purchase Date, or (C) deliver to me the cash proceeds (net of estimated Tax-Related Items withholding) from the shares of Common Stock I purchased on the Purchase Date.

If the Company settles my option by delivery of shares of Common Stock (and not cash), the Company reserves the right to mandate, on my behalf pursuant to this authorization without further consent, the immediate sale of any shares of Common Stock issued to me at purchase if the Administrator determines, in its sole discretion, that the immediate sale of shares of Common Stock is necessary or advisable for legal or administrative reasons.

If the Company does not mandate the immediate sale of shares of Common Stock, any shares of Common Stock issued to me at purchase must be held with the Company's designated broker (currently, E*Trade) until I sell such shares of Common Stock; provided, however, that nothing in this provision shall prevent me from selling shares of Common Stock at my discretion, subject to any applicable Company insider-trading policy and the requirements set forth in the following paragraph.

If my employment terminates while I hold any shares of Common Stock, I (or if my termination of employment is due to death, my estate or such other person as acquired the right to the shares of Common Stock) must sell the shares of Common Stock before the last trading day of the 6th month following termination of my employment (the "Last Trading Day"). If the shares of Common Stock have not been sold before the Last Trading Day, the Company's designated broker will automatically sell all shares of Common Stock on the Last Trading Day on my behalf pursuant to this authorization without further consent. The shares of Common Stock generally will be sold at the applicable market price at the time of sale. Neither the Company nor its designated broker shall be obligated to arrange for sale of the shares of Common Stock at a particular price.

I understand that the cash proceeds from the sale of shares of Common Stock purchased under the Plan, any dividends paid with respect to the shares of Common Stock and any other funds resulting from my participation in the Plan must be repatriated to China through a special exchange control account established by the Company, the Employer, or a Parent, Subsidiary or Affiliate. I hereby agree and consent to the transfer of such funds to such special exchange control account before being delivered to me. The proceeds (or other funds) may be paid to me in U.S. dollars or local currency at the Company's discretion. If the funds are paid to me in U.S. dollars, I will be required to set up a U.S. dollar bank account in China so that the proceeds may be deposited into this account. If the proceeds are paid to me in local currency, (i) the Company is under no obligation to secure any particular exchange conversion rate and the Company may face delays in converting the proceeds to local currency due to exchange control restrictions, and (ii) I agree to bear any currency fluctuation risk attributable to the period between sale of the shares of Common Stock (or receipt of any funds resulting from my participation in the Plan) and distribution of the funds to me through the special exchange control account. I further agree to comply with any other requirements that may be imposed by the Company in the future in order to facilitate compliance with exchange control requirements in China and to sign any agreements, forms or consents as may be reasonably requested by the Company, E*Trade or another brokerage firm designated by the Company.

DENMARK

TERMS AND CONDITIONS

I acknowledge that I have received an Employer Statement, translated into Danish, which sets forth the terms of the option to purchase shares of Common Stock under the Plan, to the extent that the Danish Stock Option Act applies to the option to purchase shares of Common Stock.

FRANCE

TERMS AND CONDITIONS

The following provision translates Section 2 of the Subscription Agreement:

- *Par la présente, j'autorise les prélèvements sur salaire, sur chacun de mes salaires pendant la Période d'Offre, d'un montant de ____% (20 % maximum) de ma Rémunération lors de chaque jour de paie (de 0 à 20 %) conformément au Plan. (Veuillez noter que le pourcentage de prélèvement sur salaire ne peut être qu'un chiffre entier, sans chiffre après la virgule.)*

By electing to participate in the Plan, I confirm that I have read and understood the documents relating to the rights to purchase shares of Common Stock (the Plan and Subscription Agreement, including the Additional Terms & Conditions for non-U.S. Employees and this Appendix), which were provided to me in the English language. I accept the terms of these documents accordingly.

En souscrivant au Plan, je confirme avoir lu et compris les documents en lien avec l'octroi du droit d'acquérir des actions ordinaires (le Plan et l'Accord de Souscription, y compris les modalités et

conditions supplémentaires pour les employés non américains et la présente Annexe), lesquels m'ont été communiqués en langue anglaise. J'accepte les termes de ces documents en connaissance de cause.

GERMANY

NOTIFICATIONS

Exchange Control Information. Cross-border payments in excess of €2,500 in connection with the purchase or sale of securities (e.g., transfer of proceeds from the sale of shares of Common Stock into Germany) must be reported electronically to the German Federal Bank. The online filing portal may be accessed at the website of the German Federal Bank. Participants should consult their personal tax advisors for details regarding this requirement.

KOREA

TERMS AND CONDITIONS

I understand that, in addition to other procedures for enrolling in the Plan, I may be required to execute and return a Power of Attorney such as is provided below to my local human resources representative in order to participate in the Plan. I understand that if I fail to execute the Power of Attorney that may be required, I will not be able to participate in the Plan.

EMPLOYEES RESIDENT OF OR EMPLOYED IN KOREA - POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

That _____, an employee working for _____ [Employer name], a company organized under the laws of Korea and _____ [Employer jurisdiction] [with a Korean representative office located at _____ [insert address]], does hereby appoint attorney-in-fact, _____ [Employer name], through its duly appointed representative, with full power and authority to do the following:

1. To prepare, execute and file any report/application and all other documents required for implementation of the Aerohive Networks, Inc. 2014 Employee Stock Purchase Plan (the "Plan") in Korea;
2. To take any action that may be necessary or appropriate for implementation of the Plan with the competent Korean authorities, including but not limited to the transfer of my payroll deductions through a foreign exchange bank; and
3. To constitute and appoint, in its place and stead, and as its substitute, one or more representatives, with power of revocation.

I hereby ratify and confirm as my own act and deed all that such representative may do or cause to be done by virtue of this instrument.

IN WITNESS WHEREOF, I have caused this Power of Attorney to be executed in my name this ____ day of _____, 20__.

By: _____
(Signature)

NETHERLANDS

NOTIFICATIONS

**Attention! This investment falls outside AFM supervision.
No prospectus required for this activity.**



NEW ZEALAND

WARNING

I understand I am being offered the option to purchase shares of Common Stock of Aerohive Networks, Inc. in accordance with the terms of the Plan. The shares of Common Stock, once purchased, will give me a stake of ownership in the Company. I may receive a return if dividends are paid on the shares of Common Stock.

If the Company runs into financial difficulties and is wound up, I will be paid only after all creditors and holders of preference shares (if any) have been paid. I may lose some or all of your investment.

New Zealand law normally requires people who offer financial products to give information to investors before they invest. This information is designed to help investors make an informed decision. The usual rules do not apply to this offer because it is a small offer. As a result, I may not be given all the information usually required. I will also have fewer other legal protections for this investment. I should ask questions, read all documents carefully, and seek independent financial advice before committing myself.

SPAIN

TERMS AND CONDITIONS

This provision supplements Section I of the Additional Terms and Conditions for non-U.S. Employees set forth above:

By electing to participate in the Plan, I consent to participate in the Plan and acknowledge that I have received a copy of the Plan.

I understand and agree that, as a condition of participating in the Plan, my participation in the Plan will cease upon the termination of my status as an Eligible Employee for any reason (including for the reasons listed below), my payroll deductions shall cease, and my Contributions shall be returned to me, without interest, as soon as administratively practicable. In particular, I understand and agree that I

will no longer be able to participate in the Plan and any option will be cancelled upon the termination of my status as an Eligible Employee due to, without limitation, resignation, retirement, disciplinary dismissal adjudged to be with cause, disciplinary dismissal adjudged or recognized to be without cause, individual or collective layoff on objective grounds, whether adjudged to be with cause or adjudged or recognized to be without cause, material modification of the terms of employment under Article 41 of the Workers' Statute, relocation under Article 40 of the Workers' Statute, Article 50 of the Workers' Statute, unilateral withdrawal by the Employer, and under Article 10.3 of Royal Decree 1382/1985. I acknowledge having read and specifically accept the conditions referred to in Section 6(k) of the Subscription Agreement and Section 12 of the Plan.

Furthermore, I understand that the Company has unilaterally, gratuitously and in its own discretion decided to grant options under the Plan to certain Eligible Employees. The decision is a limited decision that is entered into upon the express assumption and condition that any grant will not economically or otherwise bind the Company or any Designated Company on an ongoing basis. Consequently, I understand that the option is granted on the assumption and condition that the option and any shares of Common Stock purchased under the Plan are not part of any employment contract either with the Company or any Parent, Subsidiary, or Affiliate and shall not be considered a mandatory benefit, salary for any purposes (including severance compensation) or any other right whatsoever. In addition, I understand that the option would not be granted to me but for the assumptions and conditions referred to herein; thus, I acknowledge and freely accept that should any or all of the assumptions be mistaken or should any of the conditions not be met for any reason, then the grant of the option shall be null and void.

NOTIFICATIONS

Securities Law Information. The option granted under the Plan and the shares of Common Stock described in the Subscription Agreement do not qualify under Spanish regulations as securities. No "offer of securities to the public," as defined under Spanish law, has taken place or will take place in the Spanish territory. Neither the Plan nor the Subscription Agreement has been registered with the *Comisión Nacional del Mercado de Valores*. Neither the Plan nor the Subscription Agreement constitutes a public offering prospectus.

Exchange Control Information. Participants in Spain must declare the acquisition, ownership, and disposition of shares of Common Stock to the *Spanish Dirección General de Comercio e Inversiones* (the "DGCI") of the Ministry of Economy and Competitiveness on a Form D-6.

Participants also may be required to electronically declare to the Bank of Spain foreign accounts (including brokerage accounts), any foreign instruments (including shares of Common Stock purchased under the Plan), and any transactions with non-residents of Spain (including the purchase of the shares of Common Stock), depending on the balances in such accounts, together with the value of such instruments, and/or the volume of transactions with non-residents of Spain during the relevant year. Participants should consult their personal legal advisors for details regarding this requirement.

SWEDEN

There are no country-specific provisions.

UNITED KINGDOM

TERMS AND CONDITIONS

Responsibility for Taxes. This provision supplements Section II of the Additional Terms and Conditions for non-U.S. Employees set forth above:

Without limitation to Section II of the Additional Terms and Conditions for non-U.S. Employees set forth above, I agree that I am liable for all Tax-Related Items and hereby covenant to pay all such Tax-Related Items, as and when requested by the Company or the Employer or by Her Majesty’s Revenue and Customs (“HMRC”) (or any other tax authority or any other relevant authority). I also agree to indemnify and keep indemnified the Company and the Employer against any Tax-Related Items that they are required to pay or withhold or have paid or will pay to HMRC (or any other tax authority or any other relevant authority) on my behalf.

Notwithstanding the foregoing, if I am a director or executive officer of the Company (within the meaning of Section 13(k) of the Exchange Act), the amount of any uncollected income tax may constitute a benefit to me on which additional income tax and national insurance contributions (“NICs”) may be payable. I will be responsible for reporting and paying any income tax due on this additional benefit directly to HMRC under the self-assessment regime, and for paying the Company or the Employer (as appropriate) for the value of any employee NICs due on this additional benefit which may be collected from me by the Company or the Employer by any of the means referred to in Section II of the Additional Terms and Conditions for non-U.S. Employees set forth above.

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Section 3: EX-10.2 (EXHIBIT 10.2)



AEROHIVE NETWORKS, INC. - 2014 EQUITY INCENTIVE PLAN

RESTRICTED STOCK UNIT AGREEMENT

NOTICE OF GRANT AND GRANT AGREEMENT

You have been granted the right to receive Restricted Stock Units, subject to the terms and conditions of the Aerohive Networks, Inc. 2014 Equity Incentive Plan (the “**Plan**”) and this Restricted Stock Unit Agreement, which includes this Notice of Grant, the Terms and Conditions of Restricted Stock Unit Grant attached hereto as **Exhibit A**, and the Terms and Conditions for Participants outside the U.S. attached hereto as **Exhibit B** (collectively, the “**Grant Agreement**”), set forth below (the “**Grant**”). Capitalized terms not defined in this Grant Agreement have the meaning given to them in the Plan.

Participant: _____

Grant Number: _____

Date of Grant: _____

Vesting Commencement Date: _____

Number of Restricted Stock Units
subject to Grant (the “**Shares**”): _____

Vesting Schedule:

Subject to accelerated vesting as provided in the Plan, or to the extent set forth below, the Restricted Stock Units subject to this Grant will vest in accordance with the following schedule:

[_____.]

Termination:

Your right under the Grant to receive shares of our Common Stock shall only be with respect to those Restricted Stock Units which have vested as of the date of your termination as a Service Provider. This Grant is subject to earlier termination as provided in the Plan, including specifically Section 14(c) of the Plan.

By our signatures, or by your acceptance of this Grant Agreement via the Company’s designated electronic acceptance process, you and the Company agree that this Grant is governed by the terms and conditions of the Plan and this Grant Agreement, including exhibits hereto, all of which are made an integrated and single

agreement. You confirm that you have had the opportunity to review the Plan and this Grant Agreement in their entirety and to obtain the advice of counsel prior to executing this Grant Agreement, and that you fully understand all provisions of the Plan and Grant Agreement. You further agree to accept as binding, conclusive and final all decisions or interpretations of the Administrator of any questions relating to the Plan and Grant Agreement.



PARTICIPANT: AEROHIVE NETWORKS, INC.

Steve Debenham
VP, General Counsel and Corporate Secretary

EXHIBIT A

TERMS AND CONDITIONS OF RESTRICTED STOCK UNIT GRANT

1. Grant. The Company hereby grants to the individual named in the Notice of Grant (the “**Participant**”) under the Plan an Award of Restricted Stock Units, subject to all of the terms and conditions in this Grant Agreement and the Plan, which is incorporated herein by reference. Subject to Section 19(c) of the Plan, in the event of a conflict between the terms and conditions of the Plan and the terms and conditions of this Grant Agreement, the terms and conditions of the Plan will prevail.

2. Company’s Obligation to Pay. Each Restricted Stock Unit represents the right to receive a Share on the date it vests. Unless and until the Restricted Stock Units will have vested in the manner set forth in Sections 3 or 4, Participant will have no right to payment of any such Restricted Stock Units. Prior to actual payment of any vested Restricted Stock Units, such Restricted Stock Units will represent an unsecured obligation of the Company, payable (if at all) only from the general assets of the Company. Any Restricted Stock Units that vest in accordance with Sections 3 or 4 will be paid to Participant (or in the event of Participant’s death, to his or her estate) in whole Shares, subject to Participant satisfying any applicable tax withholding obligations as set forth in Section 7. Subject to the provisions of Section 4, such vested Restricted Stock Units shall be paid in whole Shares as soon as practicable after vesting, but in each such case within the period sixty (60) days following the vesting date. In no event will Participant be permitted, directly or indirectly, to specify the taxable year of the payment of any Restricted Stock Units payable under this Grant Agreement.

3. Vesting Schedule. Except as provided in Section 4, and subject to Section 5, the Restricted Stock Units awarded by this Grant Agreement will vest in accordance with the vesting provisions set forth in the Notice of Grant. Restricted Stock Units scheduled to vest on a certain date or upon the occurrence of a certain condition will not vest in Participant in accordance with any of the provisions of this Grant Agreement, unless Participant will have been continuously a Service Provider from the Date of Grant until the date such vesting occurs.

4. Administrator Discretion. The Administrator, in its discretion, may accelerate the vesting of the balance, or some lesser portion of the balance, of the unvested Restricted Stock Units at any time, subject to the terms of the Plan. If so accelerated, such Restricted Stock Units will be considered as having vested as of the date specified by the Administrator. The payment of Shares vesting pursuant to this Section 4 shall in all cases be paid at a time or in a manner that is exempt from, or complies with, Code Section 409A.

Notwithstanding anything in the Plan or this Grant Agreement to the contrary, if the vesting of the balance, or some lesser portion of the balance, of the Restricted Stock Units is accelerated in connection with Participant’s termination as a Service Provider (provided that such termination is a “separation from service” within the meaning of Section 409A, as determined by the Company), other than due to death, and if (x) Participant is a “specified employee” within the meaning of Section 409A at the time of such termination as a Service Provider and (y) the payment of such accelerated Restricted Stock Units will result in the imposition of additional tax under Section 409A if paid to Participant on or within the six (6) month period following Participant’s termination as a Service Provider, then the payment of such accelerated Restricted Stock Units will not be made until the date six (6) months and one (1) day following the date of

Participant's termination as a Service Provider, unless the Participant dies following his or her termination as a Service Provider, in which case, the Restricted Stock Units will be paid in Shares to the Participant's estate as soon as practicable following his or her death. It is the intent of this Grant Agreement that it and all payments and benefits hereunder be exempt from, or comply with, the requirements of Section 409A so that none of the Restricted Stock Units provided under this Grant Agreement or Shares issuable thereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to be so exempt or so comply. Each payment payable under this Grant Agreement is intended to constitute a separate payment for purposes of U.S. Treasury Regulation Section 1.409A-2(b) (2). For purposes of this Grant Agreement, "Section 409A" means Section 409A of the Code, and any final U.S. Treasury Regulations and Internal Revenue Service guidance thereunder, as each may be amended from time to time.

5. Forfeiture upon Termination of Status as a Service Provider. Notwithstanding any contrary provision of this Grant Agreement, the balance of the Restricted Stock Units that have not vested as of the time of Participant's termination as a Service Provider for any or no reason and Participant's right to acquire any Shares hereunder will immediately terminate.

6. Death of Participant. Any distribution or delivery to be made to Participant under this Grant Agreement will, if Participant is then deceased, be made to Participant's designated beneficiary, or if no beneficiary survives Participant, the administrator or executor of Participant's estate. Any such transferee must furnish the Company with (a) written notice of his or her status as transferee, and (b) evidence satisfactory to the Company to establish the validity of the transfer and compliance with any laws or regulations pertaining to said transfer.

7. Withholding of Taxes. Notwithstanding any contrary provision of this Grant Agreement, no certificate representing the Shares will be issued to Participant, unless and until satisfactory arrangements (as determined by the Administrator) will have been made by Participant with respect to the payment of income, employment, social insurance, payroll and other taxes which the Company determines must be withheld with respect to such Shares. Prior to vesting and/or settlement of the Restricted Stock Units, Participant will pay or make adequate arrangements satisfactory to the Company and/or Participant's employer (the "**Employer**") to satisfy all withholding and payment obligations of the Company and/or the Employer. In this regard, Participant authorizes the Company and/or the Employer to withhold all applicable tax withholding obligations legally payable by Participant from his or her wages or other cash compensation paid to Participant by the Company and/or the Employer or from proceeds of the sale of Shares. Alternatively, or in addition, if permissible under applicable local law, the Administrator, in its sole discretion and pursuant to such procedures as it may specify from time to time, may permit or require Participant to satisfy such tax withholding obligation, in whole or in part (without limitation) by (a) paying cash, (b) electing to have the Company withhold otherwise deliverable Shares having a Fair Market Value equal to the minimum amount required to be withheld, (c) delivering to the Company already vested and owned Shares having a Fair Market Value equal to the amount required to be withheld, or (d) selling a sufficient number of such Shares otherwise deliverable to Participant through such means as the Company may determine in its sole discretion (whether through a broker or otherwise) equal to the amount required to be withheld. To the extent determined appropriate by the Company in its discretion, it will have the right (but not the obligation) to satisfy any tax withholding obligations by reducing the number of Shares otherwise

deliverable to Participant. If Participant fails to make satisfactory arrangements for the payment of any required tax withholding obligations hereunder at the time any applicable Restricted Stock Units otherwise are scheduled to vest pursuant to Sections 3 or 4 or tax withholding obligations related to Restricted Stock Units otherwise are due, Participant will permanently forfeit such Restricted Stock Units and any right to receive Shares thereunder and the Restricted Stock Units will be returned to the Company at no cost to the Company.

8. Rights as Stockholder. Neither Participant nor any person claiming under or through Participant will have any of the rights or privileges of a stockholder of the Company in respect of any Shares deliverable hereunder unless and until certificates representing such Shares will have been issued, recorded on the records of the Company or its transfer agents or registrars, and delivered to Participant (including through electronic delivery to a brokerage account). After such issuance, recordation and delivery, Participant will have all the rights of a stockholder of the Company with respect to voting such Shares and receipt of dividends and distributions on such Shares.

9. No Guarantee of Continued Service. PARTICIPANT ACKNOWLEDGES AND AGREES THAT THE VESTING OF THE RESTRICTED STOCK UNITS PURSUANT TO THE VESTING SCHEDULE HEREOF IS EARNED ONLY BY CONTINUING AS A SERVICE PROVIDER AT THE WILL OF THE COMPANY (OR THE PARENT OR SUBSIDIARY EMPLOYING OR RETAINING PARTICIPANT) AND NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS AWARD OF RESTRICTED STOCK UNITS OR ACQUIRING SHARES HEREUNDER. PARTICIPANT FURTHER ACKNOWLEDGES AND AGREES THAT THIS GRANT AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH HEREIN DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS A SERVICE PROVIDER FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND WILL NOT INTERFERE IN ANY WAY WITH PARTICIPANT'S RIGHT OR THE RIGHT OF THE COMPANY (OR THE PARENT OR SUBSIDIARY EMPLOYING OR RETAINING PARTICIPANT) TO TERMINATE PARTICIPANT'S RELATIONSHIP AS A SERVICE PROVIDER AT ANY TIME, WITH OR WITHOUT CAUSE.

10. Address for Notices. Any notice to be given to the Company under the terms of this Grant Agreement will be addressed to the Company at Aerohive Networks, Inc., 1011 McCarthy Boulevard, Milpitas, CA 95035, U.S.A. or at such other address as the Company may hereafter designate in writing.

11. Grant is Not Transferable. Except to the limited extent provided in Section 6, this grant and the rights and privileges conferred hereby will not be transferred, assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and will not be subject to sale under execution, attachment or similar process. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of this grant, or any right or privilege conferred hereby, or upon any attempted sale under any execution, attachment or similar process, this grant and the rights and privileges conferred hereby immediately will become null and void.

12. Binding Agreement. Subject to the limitation on the transferability of this grant contained herein, this Grant Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

13. Additional Conditions to Issuance of Stock. If at any time the Company will determine, in its discretion, that the listing, registration, qualification or rule compliance of the Shares upon any securities exchange or under any state, federal or foreign law, the tax code and related regulations or the consent or approval of any governmental regulatory authority is necessary or desirable as a condition to the issuance of Shares to Participant (or his or her estate) hereunder, such issuance will not occur unless and until such listing, registration, qualification, rule compliance, consent or approval will have been completed, effected or obtained free of any conditions not acceptable to the Company. Where the Company determines that the delivery of the payment of any Shares will violate federal securities laws or other Applicable Laws, the Company will defer delivery until the earliest date at which the Company reasonably anticipates that the delivery of Shares will no longer cause such violation. The Company will make all reasonable efforts to meet the requirements of any such state, federal or foreign law or securities exchange and to obtain any such consent or approval of any such governmental authority or securities exchange.

14. Plan Governs. This Grant Agreement is subject to all terms and provisions of the Plan. In the event of a conflict between one or more provisions of this Grant Agreement and one or more provisions of the Plan, the provisions of the Plan will govern. Capitalized terms used and not defined in this Grant Agreement will have the meaning set forth in the Plan.

15. Administrator Authority. The Administrator will have the power to interpret the Plan and this Grant Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules (including, but not limited to, the determination of whether or not any Restricted Stock Units have vested). All actions taken and all interpretations and determinations made by the Administrator in good faith will be final and binding upon Participant, the Company and all other interested persons. No member of the Administrator will be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or this Grant Agreement.

16. Electronic Delivery. The Company may, in its sole discretion, decide to deliver any documents related to Restricted Stock Units awarded under the Plan or future Restricted Stock Units that may be awarded under the Plan by electronic means or request Participant's consent to participate in the Plan by electronic means. Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through any on-line or electronic system established and maintained by the Company or another third party designated by the Company.

17. Captions. Captions provided herein are for convenience only and are not to serve as a basis for interpretation or construction of this Grant Agreement.

18. Agreement Severable. In the event that any provision in this Grant Agreement will be held invalid or unenforceable, such provision will be severable from, and such invalidity or unenforceability will not be construed to have any effect on, the remaining provisions of this Grant Agreement.

19. Modifications to the Grant Agreement. This Grant Agreement constitutes the entire understanding of the parties on the subjects covered. Participant expressly warrants that he or she is not accepting this Grant Agreement in reliance on any promises, representations, or inducements other than those contained herein. Modifications to this Grant Agreement or the Plan can be made only in an express written contract executed by a duly authorized officer of the Company. Notwithstanding anything to the contrary in the Plan or this Grant Agreement, the Company reserves the right to revise this Grant Agreement as it deems necessary or advisable, in its sole discretion and without the consent of Participant, to comply with Section 409A or to otherwise avoid imposition of any additional tax or income recognition under Section 409A in connection to this Award of Restricted Stock Units.

20. Amendment, Suspension or Termination of the Plan. By accepting this Award, Participant expressly warrants that he or she has received an Award of Restricted Stock Units under the Plan, and has received, read and understood a description of the Plan. Participant understands that the Plan is discretionary in nature and may be amended, suspended or terminated by the Company at any time.

21. Governing Law; Choice of Venue. This Grant Agreement will be governed by the laws of California without giving effect to the conflict of law principles thereof. For purposes of litigating any dispute that arises under this Award of Restricted Stock Units or this Grant Agreement, the parties hereby submit to and consent to the jurisdiction of the State of California, and agree that such litigation will be conducted in the courts of Santa Clara County, California, or the federal courts for the United States for the Northern District of California, and no other courts, where this Award of Restricted Stock Units is made and/or to be performed.

22. Country-Specific Provisions. The Restricted Stock Units shall be subject to any special terms and conditions set forth for Participant's country in Exhibit B. Moreover, if Participant relocates to one of the countries included in Exhibit B, the special terms and conditions for such country will apply to Participant, to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons.

23. Imposition of Other Requirements. The Company reserves the right to impose other requirements on Participant's participation in the Plan, on the Award of Restricted Stock Units and on any Shares issued in settlement of the Award, to the extent the company determines it is necessary or advisable for legal or administrative reasons, and to require Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

24. No Advice Regarding Grant. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding Participant's participation in the Plan, or Participant's acquisition or sale of the underlying Shares. Participant should consult with his or her own personal tax, legal and financial advisors regarding Participant's participation in the Plan before taking any action related to the Plan.

25. Insider Trading/Market Abuse Laws. Participant acknowledges that he or she may be subject to insider trading restrictions and/or market abuse laws in applicable jurisdictions including, but not limited to, the United States and, if different, Participant's country of residence, which may affect Participant's ability to acquire or sell Shares or rights to Shares (e.g., Restricted Stock Units) under the Plan during such time as Participant is considered to have "inside information" regarding the Company (as defined by the

laws in the applicable jurisdictions). Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable insider trading policy of the Company. Participant is responsible for ensuring compliance with any applicable restrictions and should consult with his or her personal legal advisor on this matter.

26. Foreign Asset/Account, Exchange Control and Tax Reporting and Other Requirements. Depending on Participant's country, Participant may be subject to foreign asset/account, exchange control and/or tax reporting requirements as a result of the vesting of the Restricted Stock Units, the acquisition, holding and/or transfer of Shares or cash resulting from participation in the Plan and/or the opening and maintaining of a brokerage or bank account in connection with the Plan. Participant may be required to report such assets, accounts, account balances and values, and/or related transactions to the applicable authorities in his or her country. Participant may also be required to repatriate sale proceeds or other funds received as a result of his or her participation in the Plan to his or her country through a designated bank or broker and/or within a certain time after receipt. Participant acknowledges that he or she is responsible for ensuring compliance with any applicable foreign asset/account, exchange control and tax reporting and other requirements. Participant further understands that he or she should consult Participant's personal tax and legal advisors, as applicable on these matters.

EXHIBIT B
**SPECIAL PROVISIONS FOR
NON-U.S. PARTICIPANTS**

TERMS AND CONDITIONS

This **Exhibit B**, which is part of the Agreement, contains additional or different terms and conditions that govern the Restricted Stock Unit Award if Participant is outside of the United States. The terms and conditions in **Part A** apply to all Participants outside of the United States. The country-specific terms and conditions in **Part B** apply to Participants located in any of the countries listed in Part B. Capitalized terms used and not defined in this **Exhibit B** will have the meaning given to them in the Grant Agreement and/or the Plan, as applicable.

If Participant is a citizen or resident of a country other than the one in which he or she is currently residing and/or working, is considered a resident of another country for local law purposes or transfers employment and/or residency between countries after the Date of Grant, the Administrator will, in its sole discretion, determine the extent to which the terms and conditions included herein will apply to Participant under such circumstances.

NOTIFICATIONS

This **Exhibit B** also includes notifications regarding exchange control and certain other issues of which Participant should be aware with respect to his or her participation in the Plan. The information is based on the exchange control, securities and other laws in effect in the respective countries as of May 2018. Such laws are often complex and change frequently. The Company therefore strongly recommends that Participant not rely on the information in this **Exhibit B** as the only source of information relating to the consequences of his or her participation in the Plan because such information may be outdated when the Restricted Stock Units vest, when Shares are issued to Participant and/or when Participant sells any Shares issued pursuant to the Restricted Stock Units.

In addition, the information contained in this **Exhibit B** is general in nature and may not apply to Participant's particular situation. As a result, the Company cannot assure Participant of any particular result. Participant should therefore seek appropriate professional advice as to how the relevant laws in Participant's country may apply to his or her situation.

Finally, if Participant is a citizen or resident of a country other than the one in which he or she is currently residing and/or working, is considered a resident of another country for local law purposes, or transfers employment and/or residency between countries after the Date of Grant, the information contained herein may not apply to Participant in the same manner.

A. ALL NON-U.S. COUNTRIES

TERMS AND CONDITIONS

1. Death of Participant. The following provision supplements Section 6 of Exhibit A:

If Participant's beneficiary designation is not valid or enforceable under inheritance and/or other laws in Participant's country at the time of Participant's death, then the beneficiary for purposes of any distribution or delivery to be made to Participant under the Grant Agreement will be Participant's estate.

2. Responsibility for Taxes. The following provision replaces Section 7 of Exhibit A:

(a) Participant acknowledges that, regardless of any action that the Company or the Parent or Subsidiary for which Participant is a Service Provider (the "**Employer**") takes with respect to any or all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to Participant's participation in the Plan and legally applicable to Participant ("**Tax-Related Items**"), the ultimate liability for all Tax-Related Items is and remains Participant's responsibility and may exceed the amount actually withheld by the Company or the Employer, as applicable. Participant further acknowledges that the Company and/or the Employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Restricted Stock Units, including, but not limited to, the grant, vesting or payment of the Restricted Stock Units, the issuance of Shares upon vesting of the Restricted Stock Units, the subsequent sale of Shares acquired pursuant to such issuance and the receipt of any dividends; and (ii) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Restricted Stock Units to reduce or eliminate Participant's liability for Tax-Related Items or to achieve any particular tax result. Further, if Participant is subject to Tax-Related Items in more than one jurisdiction, Participant acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

(b) Prior to any relevant taxable or tax withholding event, as applicable, Participant shall pay or make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Items. In this regard, Participant authorizes the Company and/or the Employer, or their respective agents, at their discretion, to satisfy any withholding obligation for Tax-Related Items by one or a combination of the following:

(i) withholding from Participant's wages or other cash compensation paid to him or her by the Company and/or the Employer; or

(ii) withholding from proceeds of the sale of Shares acquired at vesting, either through a voluntary sale or through a mandatory sale (pursuant to this authorization without further consent); or

(iii) withholding in Shares to be issued upon vesting of the Restricted Stock Units.

Depending on the withholding method, the Company may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding rates or other applicable withholding rates, including maximum rates, in which case Participant may receive a refund of any over-withheld amounts

in cash and will have no entitlement to the equivalent amount in Shares. If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, Participant is deemed to have been issued the full number of Shares, notwithstanding that some Shares are held back solely for the purpose of paying the Tax-Related Items.

(c) Finally, Participant agrees to pay to the Company or the Employer any number of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of Participant's participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to issue or deliver Shares or the proceeds of the sale of Shares if Participant fails to comply with his or her obligations in connection with the Tax-Related Items.

3. Nature of Award. The following provision replaces Section 9 of Exhibit A:

In accepting the Award of Restricted Stock Units, Participant acknowledges, understands, and agrees that:

the Plan is established voluntarily by the Company, is discretionary in nature and may be modified, amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan;

the grant of the Restricted Stock Units is exceptional, voluntary and occasional and does not create any contractual or other right to receive future grants of restricted stock units, or benefits in lieu of restricted stock units, even if restricted stock units have been granted in the past;

all decisions with respect to future restricted stock units or other grants, if any, will be at the sole discretion of the Company;

the Award of Restricted Stock Units and Participant's participation in the Plan shall not create a right to employment or be interpreted as forming an employment or service contract with the Company, the Employer, or any Parent or Subsidiary and shall not interfere with the ability of the Company, the Employer, or any Parent or Subsidiary to terminate Participant's status as a Service Provider (if any);

Participant is voluntarily participating in the Plan;

the Restricted Stock Units and the Shares subject to the Restricted Stock Units are not intended to replace any pension rights or compensation;

the Restricted Stock Units and the Shares subject to the Restricted Stock Units, and the income from and value of the same, are not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculation of any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, long-service awards, holiday pay, pension or retirement or welfare benefits or similar payments;

the future value of the underlying Shares is unknown, indeterminable and cannot be predicted with certainty;

no claim or entitlement to compensation or damages shall arise from forfeiture of the Restricted Stock Units resulting from Participant's termination as a Service Provider (for any reason whatsoever and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Participant is engaged as a Service Provider or the terms of Participant's employment or service agreement, if any);

for purposes of the Restricted Stock Units, Participant's status as a Service Provider will be considered terminated as of the date he or she is no longer actively providing services to the Company or any Parent or Subsidiary (regardless of the reason for such termination and regardless of whether later found to be invalid or in breach of employment laws in the jurisdiction where Participant is engaged as a Service Provider or the terms of Participant's employment or service agreement, if any), and, unless otherwise expressly provided in this Grant Agreement, Participant's right to vest in the Restricted Stock Units under the Plan, if any, will terminate as of such date and will not be extended by any notice period (e.g., the period during which Participant is considered a Service Provider would not include any contractual notice period or any period of "garden leave" or similar period mandated under employment laws in the jurisdiction where Participant is engaged as a Service Provider or the terms of Participant's employment or service agreement, if any; the Administrator shall have the exclusive discretion to determine when Participant is no longer actively providing services for purposes of the Restricted Stock Units (including, subject to Section 12 of the Plan, whether Participant may still be considered to be providing services while on a leave of absence); and

neither the Company nor the Employer nor any Parent or Subsidiary will be liable for any foreign exchange rate fluctuation between Participant's local currency and the United States Dollar that may affect the value of the Restricted Stock Units or of any amounts due to Participant pursuant to the Restricted Stock Units or the subsequent sale of any Shares acquired under the Plan.

4. Data Privacy Information and Consent.

The Company is located at 1011 McCarthy Boulevard, Milpitas, California 95035 U.S.A. and grants Restricted Stock Units under the Plan to employees of the Company and its Subsidiaries, at the Company's sole discretion. If Participant would like to participate in the Plan, Participant should review the following information about the Company's data processing practices and declare Participant's consent.

Data Collection and Usage. The Company collects, processes and uses Participant's personal data, including Participant's name, home address and telephone number, date of birth, social insurance number or other identification number, salary, citizenship, job title, any Shares or directorships held in the Company, and details of all Restricted Stock Units or any other Awards granted, canceled exercised, vested, or outstanding in my favor, which the Company receives from me or the Employer. If the Company offers Participant a grant of Restricted Stock Units under the Plan, then the Company will collect Participant's personal data for purposes of allocating stock and implementing, administering and managing the Plan. The Company's legal basis for the processing of my personal data would be Participant's consent.

Stock Plan Administration Service Providers. The Company transfers participant data to E*Trade Financial Corporate Services, Inc. and E*Trade Securities LLC ("e*Trade"), an independent service provider based in the United States, which assists the Company with the implementation, administration

and management of the Plan. In the future, the Company may select a different service provider and share Participant's data with another company that serves in a similar manner. The Company's service provider will open an account for Participant to receive and trade Shares. Participant will be asked to agree on separate terms and data processing practices with the service provider, which is a condition to Participant's ability to participate in the Plan.

International Data Transfers. The Company and its service providers are based in the United States. Participant should note that Participant's country may have enacted data privacy laws that are different from the United States. For example, the European Commission has issued a limited adequacy finding with respect to the United States that applies only to the extent companies register for the E.U.-U.S. Privacy Shield program, which is open to companies subject to Federal Trade Commission jurisdiction and in which the Company does not participate with respect to employee data. The Company's legal basis for the transfer of Participant's personal data is Participant's consent.

Data Retention. The Company will use Participant's personal data only as long as is necessary to implement, administer and manage my participation in the Plan or as required to comply with legal or regulatory obligations, including under tax and security laws. When the Company no longer needs Participant's personal data, the Company will remove it from its systems. If the Company keeps data longer, it would be to satisfy legal or regulatory obligations and the Company's legal basis would be relevant laws or regulations.

Voluntariness and Consequences of Consent Denial or Withdrawal. Participant's participation in the Plan and Participant's grant of consent is purely voluntary. Participant may deny or withdraw Participant's consent at any time. If Participant does not consent, or if Participant withdraws Participant's consent, Participant cannot participate in the Plan. This would not affect Participant's salary as an employee or Participant's career; Participant would merely forfeit the opportunities associated with the Plan.

Data Subject Rights. Participant may have a number of rights under data privacy laws in Participant's country. For example, in the E.U., Participant's rights include the right to (a) request access or copies of personal data the Company processes, (b) rectification of incorrect data, (c) deletion of data, (d) restrictions on processing, (e) to lodge complaints with competent authorities in Participant's country, and/or (f) request a list with the names and addresses of any potential recipients of Participant's personal data. To receive clarification regarding Participant's rights or to exercise Participant's rights please contact the Company at 1011 McCarthy Boulevard, Milpitas, California 95035 U.S.A. Attention: Stock Administration.

By clicking on the data privacy acceptance box in the Company's electronic procedures, Participant is declaring that Participant agrees with the data processing practices described herein and consents to the collection, processing and use of Data by the Company and the transfer of Data to the recipients mentioned above, including recipients located in countries which do not adduce an adequate level of protection from a European (or other non-U.S.) data protection law perspective, for the purposes described above.

Finally, upon request of the Company or the Employer, Participant agrees to provide an executed data privacy consent form (or any other agreements or consents) that the Company and/or the Employer

may deem necessary to obtain from Participant for the purpose of administering Participant's participation in the Plan in compliance with the data privacy laws in Participant's country, either now or in the future. Participant understands and agrees that Participant will not be able to participate in the Plan if Participant fails to provide any such consent or agreement requested by the Company and/or the Employer.

5. Language. Participant acknowledges that he or she is sufficiently proficient in English to understand the terms and conditions of this Grant Agreement. If Participant has received this Grant Agreement or any other document related to the Award translated into a language other than English and if the meaning of the translated version differs from the English version, the English version shall control.

6.

B. COUNTRY-SPECIFIC TERMS, CONDITIONS AND NOTIFICATIONS

AUSTRALIA

TERMS AND CONDITIONS

Nature of Plan. The Plan is a plan to which Subdivision 83A-C of the Income Tax Assessment Act 1997 (Cth) applies (subject to the conditions in that Act).

Australian Offer Document. Additional details regarding the offer of the Restricted Stock Units are set forth below in the Australian Offer Document.

The Company is pleased to provide Participant with this offer to participate in the Plan. This offer sets out information regarding the grant of Restricted Stock Units to Australian resident employees of the Company and its affiliates. This offer is provided by the Company to ensure compliance of the Plan with Australian Securities and Investments Commission (“ASIC”) Class Order 14/1000 and relevant provisions of the *Corporations Act 2001*.

In addition to the information set out in the Grant Agreement, Participant is also being provided with copies of the following documents:

1. The Plan;
2. The U.S. Prospectus for the Plan, and
3. Employee Information Supplement for Australia

(collectively, the “Additional Documents”).

The Additional Documents provide further information to help Participant make an informed investment decision about participating in the Plan. Neither the Plan nor the Prospectus is a prospectus for the purposes of the *Corporations Act 2001*.

Participant should not rely upon any oral statements made in relation to this offer. Participant should rely only upon the statements contained in the Grant Agreement and the Additional Documents when considering participation in the Plan.

Securities Law Notification

Investment in shares involves a degree of risk. Participants who elect to participate in the Plan should monitor their participation and consider all risk factors relevant to the acquisition of Shares under the Plan as set out in the Grant Agreement and the Additional Documents.

The information contained in this offer is general information only. It is not advice or information that takes into account Participant's objectives, financial situation and needs.

Participant should consider obtaining his or her own financial product advice from an independent person who is licensed by ASIC to give advice about participation in the Plan.

Additional Risk Factors for Australian Residents

Participant should have regard to risk factors relevant to investment in securities generally and, in particular, to the holding of Shares. For example, the price at which the Shares are traded on the New York Stock Exchange may increase or decrease due to a number of factors. There is no guarantee that the price of the Shares will increase. Factors which may affect the price of the Shares include fluctuations in the domestic and international market for listed stocks, general economic conditions, including interest rates, inflation rates, commodity and oil prices, changes to government fiscal, monetary or regulatory policies, legislation or regulation, the nature of the markets in which the Company operates and general operational and business risks.

In addition, Participant should be aware that the Australian dollar value of any Shares acquired pursuant to the Award will be affected by the U.S. dollar/Australian dollar exchange rate. Participation in the Plan involves certain risks related to fluctuations in this rate of exchange.

Common Stock

Common stock of a U.S. corporation is analogous to ordinary shares of an Australian corporation. Each holder of the Common Stock is entitled to one vote for each Share held.

The Common Stock is traded on the New York Stock Exchange in the United States of America under the symbol "HIVE."

The Shares are not liable to any further calls for payment of capital or for other assessment by the Company and have no sinking fund provisions, pre-emptive rights, conversion rights or redemption provisions.

Ascertaining the Market Price of Shares

The Grantee may ascertain the current market price of the Shares as traded on the New York Stock Exchange at <http://www.nyse.com> under the symbol "HIVE." The Australian dollar equivalent of that price can be obtained at:

<http://www.rba.gov.au/statistics/frequency/exchange-rates.html>.

This is not a prediction of what the market price of the Shares will be on any applicable vesting date or when Shares are issued to Participant or at any other time or of the applicable exchange rate at such time.

BELGIUM

There are no country-specific provisions.

BRAZIL

TERMS AND CONDITIONS

Nature of Grant. This provision supplements Part A, Section 3 of this **Exhibit B**:

By accepting the Award of Restricted Stock Units, Participant agrees that (i) he or she is making an investment decision, (ii) Participant will be entitled to receive Shares pursuant to Restricted Stock Units only if the vesting conditions are met and any necessary services are rendered by Participant between the Grant Date and the applicable vesting date, and (iii) the value of the underlying Shares is not fixed and may increase or decrease without compensation to Participant.

Compliance with Law. By accepting the Award of Restricted Stock Units, Participant agrees to comply with all applicable Brazilian laws and to pay any and all applicable Tax-Related Items associated with the vesting of the Restricted Stock Units, the issuance of Shares, the sale of Shares acquired under the Plan, or the receipt of any dividends in the future.

NOTIFICATIONS

Exchange Control Information. If Participant is resident or domiciled in Brazil, Participant must submit a declaration of assets and rights held outside of Brazil, including Shares acquired under the Plan, to the Central Bank of Brazil if the aggregate value of such assets and rights is at least US\$100,000. Participant should consult his or her personal legal advisor for details regarding this requirement.

CANADA

TERMS AND CONDITIONS

Company's Obligation to Pay. The following provision supplements Section 2 of **Exhibit A**:

Notwithstanding the discretion generally vested in the Administrator concerning payment of Restricted Stock Units in cash, Shares, or a combination of both under Section 8(d) of the Plan, vested Restricted Stock Units shall be paid in Shares only.

Nature of Award. The following provision replaces Part A, Section 3(j) of this **Exhibit B**:

For purposes of the Restricted Stock Units, Participant's status as a Service Provider shall be considered terminated as of the earlier of (a) the date on which Participant's status as a Service Provider is terminated; (b) the date on which Participant receives a written notice of termination as a Service Provider, regardless of any notice period or period of pay in lieu of notice required under any employment law in the country where Participant resides (including, but not limited to, statutory law, regulatory law, and/or common law),

even if such law is otherwise applicable to Participant's benefits from the Employer; or (c) the date Participant is no longer actively providing services to the Company or any Parent or Subsidiary (regardless of the reason for such termination and regardless of whether later found to be invalid or in breach of employment laws in the jurisdiction where Participant is engaged as a Service Provider or the terms of any employment or service agreement) and, unless otherwise expressly provided in this Grant Agreement or determined by the Administrator, Participant's right to vest in the Restricted Stock Units under the Plan, if any, will terminate as of such date; the Administrator shall have the exclusive discretion to determine when Participant is no longer a Service Provider for purposes of the Restricted Stock Units.

The following provisions apply only if Participant is in Quebec:

Consent to Receive Information in English. The parties acknowledge that it is their express wish that the Agreement, as well as all documents, notices, and legal proceedings entered into, given, or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English.

Les parties reconnaissent avoir expressément souhaité que la convention [«Grant Agreement»], ainsi que tous les documents, avis et procédures judiciaires, exécutés, donnés ou intentés en vertu de, ou lié, directement ou indirectement à la présente convention, soient rédigés en langue anglaise.

Data Privacy. The following provision supplements Part A, Section 4 of this **Exhibit B**:

Participant hereby authorizes the Company and the Company's representatives to discuss and obtain all relevant information from all personnel, professional or non-professional, involved in administration of the Plan. Participant further authorizes the Company, the Employer, and/or any Parent or Subsidiary, as well as E*Trade (or such other stock plan service provider as may be selected by the Company to assist with implementation, administration, and management of the Plan) to disclose and discuss such information with their advisors. Participant also authorizes the Company, the Employer, and/or any Parent or Subsidiary to record such information and to keep such information in Participant's employment file.

NOTIFICATIONS

Securities Law Information. Participant is permitted to sell Shares acquired under the Plan through the designated broker under the Plan, if any, provided that the resale of such Shares takes place outside of Canada through the facilities of a stock exchange on which the Shares are listed. The Shares are currently listed on the New York Stock Exchange in the United States of America.

CHINA

TERMS AND CONDITIONS

The following terms and conditions apply to Participants in China who are subject to PRC exchange control laws, as determined by the Administrator in its sole and absolute discretion.

Vesting. The following provision supplements Section 3 of **Exhibit A**:

In addition to the vesting provisions set forth in the Notice of Grant, the Restricted Stock Units shall not vest unless and until the date on which the Company (or a Parent or Subsidiary, as applicable) has obtained approval from the PRC State Administration of Foreign Exchange (“SAFE”) to permit the operation of the Plan and the issuance of Shares under the Plan in China, as determined by the Administrator in its sole and absolute discretion.

Company’s Obligation to Pay. The following provisions supplement Sections 2 and 7 of **Exhibit A**:

- (i) The Company reserves the right to mandate, on Participant’s behalf pursuant to this authorization without further consent, the immediate sale of Shares issued to Participant upon vesting of Restricted Stock Units if the Administrator determines, in its sole and absolute discretion, that the immediate sale of Shares is necessary or advisable for legal or administrative reasons.
- (ii) If the Company does not mandate the immediate sale of Shares, any Shares issued to Participant upon vesting of the Restricted Stock Units must be held with the Company’s designated broker (currently, E*Trade) until Participant sells such Shares; provided, however, that nothing in this provision shall prevent Participant from selling the Shares at his or her discretion, subject to any applicable Company insider-trading policy and subsection (iii) below.
- (iii) If Participant’s relationship as a Service Provider terminates while Participant holds any Shares, Participant (or, if Participant’s termination as a Service Provider is due to death, Participant’s estate or such other person as acquired the right to the Shares) must sell the Shares before the last trading day of the 6th month following termination of Participant’s relationship as a Service Provider (the “**Last Trading Day**”). If the Shares have not been sold before the Last Trading Day, the Company’s designated broker will automatically sell all Shares on the Last Trading Day on Participant’s behalf pursuant to this authorization without further consent. The Shares generally will be sold at the applicable market price at the time of sale. Neither the Company nor its designated broker shall be obligated to arrange for sale of the Shares at a particular price.

Exchange Control Restrictions. Participant must repatriate the cash proceeds from the sale of Shares acquired under the Plan, any dividends paid with respect to the Shares and any other funds resulting from the Restricted Stock Units to China. Participant further understands that the repatriation may need to be effectuated through a special exchange control account established by the Company, the Employer, or a Parent or Subsidiary, and Participant hereby agrees and consents to the transfer of such funds to such special exchange control account before being delivered to Participant. The proceeds (or other funds) may be paid to Participant in U.S. dollars or local currency at the Company’s discretion. If the funds are paid to Participant in U.S. dollars, Participant will be required to set up a U.S. dollar bank account in China so that the proceeds may be deposited into this account. If the proceeds are paid to Participant in local currency, (i) the Company is under no obligation to secure any particular exchange conversion rate and the Company may face delays in converting the proceeds to local currency due to exchange control restrictions, and (ii) Participant agrees to bear any currency fluctuation risk attributable to the period between sale of Shares (or receipt of any funds resulting from the Restricted Stock Units) and distribution of the funds to Participant through the special exchange control account established by the Company, the Employer, or a Parent or Subsidiary. Participant further agrees to comply with any other requirements that may be imposed by the Company in the future in order to facilitate compliance with exchange control requirements in China and to sign any

agreements, forms or consents as may be reasonably requested by the Company, E*Trade or another brokerage firm designated by the Company.

DENMARK

TERMS AND CONDITIONS

Participant acknowledges that Participant has received an Employer Statement, translated into Danish, which sets forth additional terms of the Restricted Stock Units, to the extent that the Danish Stock Option Act applies to the Restricted Stock Units.

FRANCE

TERMS AND CONDITIONS

Type of Award. This Award of Restricted Stock Units is not intended to qualify for specific tax or social security treatment in France and is not considered a qualified award under the French Commercial Code.

Language Consent. By accepting the Award of Restricted Stock Units, Participant confirms having read and understood the documents relating to the Award (the Plan and the Grant Agreement, including this **Exhibit B**) which were provided in the English language. Participant accepts the terms of these documents accordingly.

Consentement Relatif à la Langue Utilisée. En acceptant l'Attribution d' Actions Gratuites, le Participant confirme avoir lu et compris les documents relatifs à l'Attribution (le Plan et le Contrat, y compris la présente Annexe B) qui lui ont été remis en langue anglaise. Le Participant accepte les termes de ces documents en conséquence.

GERMANY

NOTIFICATIONS

Exchange Control Information. Cross-border payments in excess of €1,500 in connection with the purchase or sale of securities (e.g., transfer of proceeds from the sale of Shares into Germany) must be reported electronically to the German Federal Bank. The online filing portal may be accessed at the website of the German Federal Bank. Participant should consult his or her personal legal advisor for details regarding this requirement.

KOREA

There are no country-specific provisions.

NETHERLANDS

There are no country-specific provisions.

NEW ZEALAND

WARNING

Participant understands that Participant is being offered Restricted Stock Units which, if vested, will entitle Participant to acquire Shares, in accordance with the terms of the Plan. The Shares, if issued, will give Participant a stake in the ownership of the Company. Participant may receive a return if dividends are paid.

If the Company runs into financial difficulties and is wound up, Participant will be paid only after all creditors and holders of preference shares (if any) have been paid. Participant may lose some or all of Participant's investment, if any.

New Zealand law normally requires people who offer financial products to give information to investors before they invest. This information is designed to help investors to make an informed decision. The usual rules do not apply to this offer because it is a small offer. As a result, Participant may not be given all the information usually required. Participant will also have fewer other legal protections for this investment. Participant should ask questions, read all documents carefully, and seek independent financial advice before committing.

SPAIN

TERMS AND CONDITIONS

Forfeiture upon Termination of Status as a Service Provider and Nature of Award. The following provisions supplement Section 5 of **Exhibit A** and Part A, Section 3 of this **Exhibit B**:

By accepting the Award of Restricted Stock Units, Participant consents to participate in the Plan and acknowledges that he or she has received a copy of the Plan.

Participant understands and agrees that, as a condition of the Award of the Restricted Stock Units, termination of Participant's status as a Service Provider for any reason (including for the reasons listed below) will automatically result in the loss of any portion of the Award of Restricted Stock Units that has not vested as of the date that Participant is no longer actively engaged as a Service Provider, as described in Section 5 of **Exhibit A** and Part A, Section 3(j) of this **Exhibit B**.

In particular, Participant understands and agrees that any unvested Restricted Stock Units as of the date that Participant is no longer actively engaged as a Service Provider will be forfeited without entitlement to the underlying Shares or to any amount of indemnification in the event of termination of Participant's status as a Service Provider by reason of, but not limited to, resignation, retirement, disciplinary dismissal adjudged to be with or without cause, material modification of the terms of employment under Article 41 of the Workers' Statute, relocation under Article 40 of the Workers' Statute, Article 50 of the Workers' Statute, unilateral withdrawal by the Employer and under Article 10.3 of the Royal Decree 1382/1985. Participant acknowledges having read and specifically accepts the conditions referred to in Section 5 of **Exhibit A** and Part A, Section 3(j) of this **Exhibit B**.

NOTIFICATIONS

Securities Law Information. No "offer of public securities to the public", as defined under Spanish law, has taken place or will take place in the territory of Spain in connection with the Award of Restricted Stock

Units. Neither the Plan nor the Grant Agreement has been or will be registered with the *Comisión Nacional del Mercado de Valores* (i.e., Spanish Securities Exchange Commission). Neither the Plan nor the Grant Agreement constitutes a public offering prospectus.

Exchange Control Information. Participant must declare the acquisition, ownership, and disposition of Shares to the Spanish Dirección General de Comercio e Inversiones (the “DGCI”) of the Ministry of Economy and Competitiveness on a Form D-6.

Participant also may be required to electronically declare to the Bank of Spain foreign accounts (including brokerage accounts), any foreign instruments (including Shares acquired under the Plan), and any transactions with non-residents of Spain (including any payment of Shares at vesting of Restricted Stock Units), depending on the balances in such accounts, together with the value of such instruments, and/or the volume of transactions with non-residents of Spain during the relevant year. Participant should consult his or her personal legal advisor for details regarding this requirement.

SWEDEN

There are no country-specific provisions.

UNITED ARAB EMIRATES

NOTIFICATIONS

Securities Law Information. The Grant Agreement, the Plan and any other documents Participant may receive in connection with his or her participation in the Plan are intended only for distribution to select individuals who have a Service Provider relationship with the Company and/or a Parent or Subsidiary in the United Arab Emirates and are being provided in connection with an employee incentive scheme. The Plan and the Grant Agreement are intended for distribution only to such Service Providers and must not be delivered to or relied upon by any other person. Participant should conduct his or her own due diligence concerning the securities. If Participant does not understand the contents of the Plan and the Grant Agreement, he or she should consult an authorized financial advisor. The Emirates Securities and Commodities Authority has no responsibility for reviewing or verifying any documents in connection with the Plan. Neither the Ministry of Economy nor the Dubai Department of Economic Development has approved the Plan or the Grant Agreement, and neither body has taken steps to verify the information set out therein; as such, neither body has any responsibility for such documents.

UNITED KINGDOM

TERMS AND CONDITIONS

Company’s Obligation to Pay. The following provision supplements Section 2 of **Exhibit A**:

Notwithstanding the discretion generally vested in the Administrator concerning payment of Restricted Stock Units in cash, Shares, or a combination of both under Section 8(d) of the Plan, vested Restricted Stock Units shall be paid in Shares only.

Responsibility for Taxes. The following provisions supplement Part A, Section 2 of this Exhibit **B**:

Without limitation to Part A, Section 2 of this **Exhibit B**, Participant agrees that Participant is liable for all Tax-Related Items and hereby covenants to pay all such Tax-Related Items, as and when requested by the Company or the Employer or by Her Majesty's Revenue and Customs ("HMRC") (or any other tax authority or any other relevant authority). Participant also agrees to indemnify and keep indemnified the Company and the Employer against any Tax-Related Items that they are required to pay or withhold or have paid or will pay to HMRC (or any other tax authority or any other relevant authority) on Participant's behalf.

Notwithstanding the foregoing, if Participant is a director or executive officer of the Company (within the meaning of Section 13(k) of the Exchange Act), the amount of any uncollected income tax may constitute a benefit to Participant on which additional income tax and national insurance contributions ("NICs") may be payable. Participant will be responsible for reporting and paying any income tax due on this additional benefit directly to HMRC under the self-assessment regime, and for paying the Company or the Employer (as appropriate) for the value of any employee NICs due on this additional benefit which may be collected from Participant by the Company or the Employer by any of the means referred to in Part A, Section 2 of this **Exhibit B**.

Joint Election. As a condition of participation in the Plan, Participant agrees to accept any liability for secondary Class 1 NICs which may be payable by the Company and/or the Employer in connection with the Restricted Stock Units and any event giving rise to Tax-Related Items (the "**Employer's Liability**"). Without prejudice to the foregoing, Participant agrees to execute the following joint election with the Company, the form of such joint election being formally approved by HMRC (the "**Joint Election**") and any other consent or election required to accomplish the transfer of the Employer's Liability to Participant. Participant understands that the Joint Election applies to any Restricted Stock Units granted to him or her under the Plan after the execution of the Joint Election. Participant further agrees to execute such other joint elections as may be required between him or her and any successor to the Company and/or the Employer. Participant further agrees that the Company and/or the Employer may collect the Employer's Liability from him or her by any of the means set forth in Part A, Section 2 of this **Exhibit B**.

If Participant does not enter into a Joint Election prior to the first vesting date of the Restricted Stock Units or any other event giving rise to Tax-Related Items, he or she will not be entitled to vest in the Restricted Stock Units or receive any benefit in connection with the Restricted Stock Units unless and until he or she enters into a Joint Election, and no Shares or other benefit pursuant to the Restricted Stock Units will be issued to Participant under the Plan, without any liability to the Company and/or the Employer; provided, however, that this provision shall not apply if Participant is a U.S. taxpayer and the application of this provision would cause the Restricted Stock Units to fail to qualify under an exemption from, or comply with, Section 409A of the Code.

**Important Note on the Joint Election to Transfer
Employer National Insurance Contributions**

As a condition of participation in the Aerohive Networks, Inc. 2014 Equity Incentive Plan (the “Plan”) and the restricted stock units (the “Restricted Stock Units”) that have been granted to you (“Participant”) by Aerohive Networks, Inc. (the “Company”), Participant is required to enter into a joint election to transfer to Participant any liability for employer national insurance contributions (the “Employer’s Liability”) that may arise in connection with the Restricted Stock Units or in connection with any restricted stock units that may be granted by the Company to Participant under the Plan (the “Joint Election”).

If Participant does not agree to enter into the Joint Election, the grant of the Restricted Stock Units will be worthless, and Participant will not be able to vest in the Restricted Stock Units or receive any benefit in connection with the Restricted Stock Units.

By entering into the Joint Election:

- Participant agrees that any Employer’s Liability that may arise in connection with or pursuant to the vesting of the Restricted Stock Units (or any restricted stock units granted to Participant under the Plan) or the acquisition of shares of the Company or other taxable events in connection with the Restricted Stock Units (or any other restricted stock units granted under the Plan) will be transferred to Participant;
- Participant authorizes the Company and/or Participant’s employer to recover an amount sufficient to cover this liability by any method set forth in the Restricted Stock Unit Grant Agreement and/or the Joint Election; and
- Participant acknowledges that even if he or she has accepted the Joint Election via the Company’s online procedure, the Company or Participant’s employer may still require Participant to sign a paper copy of the Joint Election (or a substantially similar form) if the Company determines such is necessary to give effect to the Joint Election.

*By accepting the Restricted Stock Units through the Company’s online acceptance procedure at E*Trade (or by signing the Notice of Grant), Participant is agreeing to be bound by the terms of the Joint Election.*

**Please read the terms of the Joint Election carefully before
accepting the Restricted Stock Unit Grant Agreement
and the Joint Election.**

**Please print and keep a copy of the Joint Election
for your records.**

**AEROHIVE NETWORKS, INC.
2014 EQUITY INCENTIVE PLAN
(UK Employees)**

Election to Transfer the Employer's National Insurance Liability to the Employee

1. PARTIES

This Election is between:

- (A) You, the individual who has gained access to this Election (the "**Employee**"), who is employed by Aerohive Networks Europe Ltd. (registered number 6400590) whose registered office is at West Block, The Courtyard, 16-18 West Street, Farnham, Surrey GU9 7DR (the "**Employer**") and who is eligible to receive restricted stock units ("**Restricted Stock Units**") granted by Aerohive Networks, Inc. pursuant to the terms and conditions of the 2014 Equity Incentive Plan (the "**Plan**"), and
- (B) Aerohive Networks, Inc. of 1011 McCarthy Boulevard, Milpitas, CA 95035, United States of America (the "**Company**"), which may grant Restricted Stock Units under the Plan and is entering into this Form of Election on behalf of the Employer.

2. PURPOSE OF ELECTION

2.1 This Election relates to Restricted Stock Units granted by the Company under the Plan on or after 28 March 2014.

2.2 In this Election the following words and phrases have the following meanings:

"Taxable Event" means, in relation to the Restricted Stock Units:

- (i) the acquisition of securities pursuant to the Restricted Stock Units (within section 477(3)(a) of ITEPA); and/or
- (ii) the assignment or release of the Restricted Stock Units in return for consideration (within section 477(3)(b) of ITEPA); and/or
- (iii) the receipt of a benefit in connection with the Restricted Stock Units, other than a benefit within (i) or (ii) above (within section 477(3)(c) of ITEPA); and/or
- (iv) post-acquisition charges relating to the Restricted Stock Units and/or shares acquired pursuant to the Restricted Stock Units (within section 427 of ITEPA); and/or
- (v) post-acquisition charges relating to the Restricted Stock Units and/or shares acquired pursuant to the Restricted Stock Units (within section 439 of ITEPA).

“**ITEPA**” means the Income Tax (Earnings and Pensions) Act 2003.

“**SSCBA**” means the Social Security Contributions and Benefits Act 1992.

- 2.3 This Election relates to the Employer’s secondary Class 1 National Insurance Contributions (the “**Employer’s Liability**”) which may arise on the occurrence of a Taxable Event in respect of the Restricted Stock Units pursuant to section 4(4)(a) and/or paragraph 3B(1A) of Schedule 1 of the SSCBA.
- 2.4 This Election does not apply in relation to any liability, or any part of any liability, arising as a result of regulations being given retrospective effect by virtue of section 4B(2) of either the SSCBA or the Social Security Contributions and Benefits (Northern Ireland) Act 1992.
- 2.5 This Election does not apply to the extent that it relates to relevant employment income which is employment income of the earner by virtue of Chapter 3A of Part VII of ITEPA (employment income: securities with artificially depressed market value).

3. THE ELECTION

The Employee and the Company jointly elect that the entire liability of the Employer to pay the Employer’s Liability on the Taxable Event is hereby transferred to the Employee. The Employee understands that by accepting the grant of the Restricted Stock through the Company’s online acceptance procedure at E*Trade or by signing the Notice of Grant to accept the grant of the Restricted Stock Units he or she will become personally liable for the Employer’s Liability covered by this Election. This Election is made in accordance with paragraph 3B(1) of Schedule 1 to SSCBA.

4. PAYMENT OF THE EMPLOYER’S LIABILITY

- 4.1 **The Employee hereby authorizes the Company and/or the Employer to collect the Employer’s Liability from the Employee at any time after the Taxable Event:**
 - (i) by deduction from salary or any other payment payable to the Employee at any time on or after the date of the Taxable Event; and/or
 - (ii) directly from the Employee by payment in cash or cleared funds; and/or
 - (iii) by arranging, on behalf of the Employee, for the sale of some of the securities which the Employee is entitled to receive in respect of the Restricted Stock Units; and/or
 - (iv) by any other means specified in the Restricted Stock Unit Grant Agreement.
- 4.2 **The Company hereby reserves for itself and the Employer the right to withhold the transfer of any securities in respect of the Restricted Stock Units to the Employee until full payment of the Employer’s Liability is received.**
- 4.3 **The Company agrees to procure the remittance by the Employer of the Employer’s Liability to HM Revenue and Customs on behalf of the Employee within 14 days after the end of the**

UK tax month during which the Taxable Event occurs (or within 17 days after the end of the UK tax month during which the Taxable Event occurs, if payments are made electronically).

5. Duration of Election

- 5.1 The Employee and the Company agree to be bound by the terms of this Election regardless of whether the Employee is transferred abroad or is not employed by the Employer on the date on which the Employer's Liability becomes due.
- 5.2 Any reference in this Election to the Company and/or the Employer shall include that entity's successors in title and assigns as permitted in accordance with the terms of the Plan and the Restricted Stock Unit Grant Agreement. This Election will continue in effect in respect of any awards which replace the Restricted Stock Units in circumstances where section 483 of ITEPA applies.
- 5.3 This Election will continue in effect until the earliest of the following:
- (i) the Employee and the Company agree in writing that it should cease to have effect;
 - (ii) on the date the Company serves written notice on the Employee terminating its effect;
 - (iii) on the date HM Revenue and Customs withdraws approval of this Election; or
 - (iv) after due payment of the Employer's Liability in respect of the entirety of the Restricted Stock Units to which this Election relates or could relate, such that the Election ceases to have effect in accordance with its terms.

6. Acceptance by the Employee

The Employee acknowledges that by accepting the grant of the Restricted Stock through the Company's online acceptance procedure at E*Trade or by signing the Notice of Grant to accept the grant of the Restricted Stock Units, the Employee agrees to be bound by the terms of this Election.

7. Acceptance by the Company

The Company acknowledges that, by arranging for the scanned signature of an authorized representative to appear on this Election, the Company agrees to be bound by the terms of this Election.

Signed for and on behalf of the Company

Vice President of Legal Services

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Section 4: EX-31.1 (EXHIBIT 31.1)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

Exhibit 31.1

I, David K. Flynn, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Aerohive Networks, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting

principles;

- (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 1, 2018

/s/ David K. Flynn
David K. Flynn
President and Chief Executive Officer

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Section 5: EX-31.2 (EXHIBIT 31.2)

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, John Ritchie, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Aerohive Networks, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 1, 2018

/s/ John Ritchie
John Ritchie
Chief Financial Officer

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Section 6: EX-32.1 (EXHIBIT 32.1)

Exhibit 32.1

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), I, David K. Flynn, President and Chief Executive Officer of Aerohive Networks, Inc. (the "Company"), hereby certify that, to the best of my knowledge:

1. The Company's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2018, to which this Certification is attached as Exhibit 32.1 (the "Periodic Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and
2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 1, 2018

By: /s/ David K. Flynn
Name: David K. Flynn
Title: President and Chief Executive Officer

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Section 7: EX-32.2 (EXHIBIT 32.2)

Exhibit 32.2

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), I, John Ritchie, Chief Financial Officer of Aerohive Networks, Inc. (the "Company"), hereby certify that, to the best of my knowledge:

1. The Company's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2018, to which this Certification is attached as Exhibit 32.2 (the "Periodic Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and
2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 1, 2018

By: /s/ John Ritchie
Name: John Ritchie
Title: Chief Financial Officer

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