
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, DC 20549

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d)
of The Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported)
May 27, 2014

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

Delaware
(State or other jurisdiction
of incorporation)

001-35594
(Commission
File Number)

20-2530195
(IRS Employer
Identification No.)

4401 Great America Parkway
Santa Clara, California 95054
(Address of principal executive offices, including zip code)

(408) 753-4000
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01 Entry into a Material Definitive Agreement

On May 27, 2014 (the "Settlement Effective Date"), Palo Alto Networks, Inc. (the "Company") entered into a Settlement, Release and Cross-License Agreement (the "Settlement Agreement") with Juniper Networks, Inc. ("Juniper") to resolve all pending disputes between Juniper and the Company, including (a) various patent-related disputes that were being litigated in the U.S. District Courts for the District of Delaware and the Northern District of California and the Superior Court in Santa Clara County, a California state court (collectively, the "Court Proceedings"); and (b) various inter partes proceedings in the U.S. Patent and Trademark Office (the "Settlement"). Under the Settlement Agreement, each party granted to the other party (i) a life-of-patents license of the patents in suit (together with other patents in the same patent families); and (ii) an 8-year covenant not to sue for infringement of any other patents of the party. The licenses and covenants include immunity for each party's customers for the party's products and services. The Settlement Agreement also contains releases for any past infringement and general releases for past claims between the parties.

As part of the Settlement, the Company will issue to Juniper on the Settlement Effective Date 1,080,747 shares of the Company's common stock (the "Shares") with an approximate value of \$70,000,000 and, as soon as reasonably practicable after the date upon which a judgment or stipulation for entry of judgment has been issued by the courts in each Court Proceeding (the "Stipulation Date") (and in any event not later than three (3) business days following such date), the Company will (a) pay to Juniper \$75,000,000 in cash and (b) issue to Juniper a warrant (the "Warrant") to purchase 463,177 shares of the Company's common stock, which have an approximate value of \$30,000,000, at an exercise price of \$0.0001 per share. The Warrant will expire seven (7) months after the issuance date of the Warrant.

The foregoing description of the Settlement Agreement and the Warrant does not purport to be complete and is qualified in its entirety by reference to the full text of the Settlement Agreement filed as exhibit 10.1 hereto, which is incorporated by reference herein, and the full text of the Warrant, a form of which is filed as an exhibit to the Settlement Agreement. The Warrant, when issued by the Company to Juniper, will be filed with a subsequent Form 8-K.

Item 2.02 Results of Operations and Financial Condition.

On May 28, 2014, the Company issued a press release announcing its financial results for its fiscal third quarter ended April 30, 2014. A copy of the press release is furnished herewith as Exhibit 99.1 and is incorporated herein by reference.

The information contained in this Item 2.02 and in the accompanying Exhibit 99.1 shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or incorporated by reference in any filing under the Securities Act of 1933, as amended (the "Securities Act"), regardless of any general incorporation language in such filing, unless expressly incorporated by specific reference in such filing.

Item 3.02 Unregistered Sales of Equity Securities

The information contained above in Item 1.01 is hereby incorporated by reference into this Item 3.02. In accordance with the Settlement Agreement, the Shares and the Warrant will be issued pursuant to an exemption from registration provided by Section 4(a)(2) of the Securities Act. The Company has agreed to file a registration statement on Form S-3 to register the resale of the Shares, as well as the shares of common stock underlying the Warrant that Juniper will receive as part of the Settlement. The Company expects to file the Form S-3 registration statement no later than the later of (i) June 10, 2014 or (ii) three (3) business days following the Stipulation Date (but in any event, no sooner than the date on which the Warrant is issued).

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
10.1	Settlement, Release and Cross-License Agreement, dated May 27, 2014, by and between the Registrant and Juniper Networks, Inc.
99.1	Press Release, dated May 28, 2014

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 hereunto duly authorized.

PALO ALTO NETWORKS, INC.

By: /s/ Mark D. McLaughlin
Mark D. McLaughlin
President and Chief Executive Officer

Date: May 28, 2014

EXHIBIT LIST

**Exhibit
Number**

Description of Exhibit

10.1	Settlement, Release and Cross-License Agreement, dated May 27, 2014, by and between the Registrant and Juniper Networks, Inc.
99.1	Press Release, dated May 28, 2014

SETTLEMENT, RELEASE AND CROSS-LICENSE AGREEMENT

This Settlement, Release and Cross-License Agreement (“Agreement”) is entered into effective as of May 27, 2014 (“Effective Date”) by and between Juniper Networks, Inc. (“Juniper”), and Palo Alto Networks, Inc. (“PAN”) (hereinafter, collectively the “Parties” or individually each “Party”).

WHEREAS, the Parties are involved in a number of legal disputes in state and Federal court, including: *Juniper Networks, Inc. v. Palo Alto Networks, Inc.*, Case No. 1:11-cv-01258-SLR (D. Del.); *Palo Alto Networks, Inc. v. Juniper Networks, Inc.*, Case No. 5:13-cv-04510-SBA (N.D. Cal.); and *Nir Zuk and Palo Alto Networks, Inc. v. Juniper Networks, Inc.*, Case No. 113-CV-253876 (Santa Clara Sup. Ct.) (collectively the “Court Proceedings”); and

WHEREAS, the Parties are involved in a number of proceedings involving the United States Patent and Trademark Office, including: Inter Partes Reexamination, Control No. 95/002,249 (‘347 patent); Inter Partes Reexamination, Control No. 95/002,250 (‘459 patent); Inter Partes Reexamination, Control No. 95/002,251 (‘700 patent); Inter Partes Reexamination, Control No. 95/002,252; Inter Partes Reexamination, Control No. 95/002,254; *Palo Alto Networks, Inc. v. Juniper Networks, Inc.*, Case IPR2013-00369 (PTAB); and *Palo Alto Networks, Inc. v. Juniper Networks, Inc.*, Case IPR2013-00466 (PTAB) (collectively the “PTO Proceedings”); and

WHEREAS, the Parties desire to enter into this Agreement in order to resolve the Court Proceedings, the PTO Proceedings, and all other pending or threatened claims and disputes between the parties, completely and amicably, without further litigation and without any admissions with respect to the claims and counterclaims.

NOW, THEREFORE, in consideration of the covenants, conditions and undertakings set forth in this Agreement, the Parties hereby agree as follows:

ARTICLE I. DEFINITIONS

For purposes of this Agreement, the terms defined in this Article I shall have the meanings specified below:

1.1 “**Affiliate**” shall mean, with respect to an entity, any entities controlled by, under common control with or in control of such entity. The term “control,” as used in this definition, and in the definition of “Subsidiary,” means the ownership or possession by one person or entity, directly or indirectly, of 50% or more voting equity of the subject other entity. An entity shall include, without limitation, any organization, corporation, partnership, limited liability company, joint venture, unincorporated association, sole proprietorship or other entity that is recognized as a legal entity. An entity shall constitute an Affiliate only with respect to the period when such control exists.

1.2 “**Juniper Patents**” means (a) all patents for which Juniper asserted a claim of infringement in any of the Court Proceedings, which are listed in Exhibit A

(collectively, the “listed patents”), and (b) any other patents and patent applications worldwide that claim priority to or have common priority with (i) the listed patents or (ii) the applications from which the listed patents have issued, and any continuations, continuations in part, divisionals, reissues, and results of reexam of the listed patents or such other patents or patent applications (including any foreign counterparts of the listed patents or such other patents and patent applications).

1.3 “**PAN Patents**” means (a) all patents for which PAN asserted a claim of infringement in any of the Court Proceedings, which are listed in Exhibit B (collectively, the “listed patents”), and (b) any other patents and patent applications worldwide that claim priority to or have common priority with (i) the listed patents or (ii) the applications from which the listed patents have issued, and any continuations, continuations in part, divisionals, reissues, and results of reexam of the listed patents or such other patents or patent applications (including any foreign counterparts of the listed patents or such other patents and patent applications), provided that, in the case of clause (b), “PAN Patents” includes only the patents and patent applications (if any) actually owned by PAN or its Subsidiaries.

1.4 “**Subsidiary**” shall mean, with respect to an entity, any and all entities controlled by such entity. An entity shall constitute a Subsidiary only with respect to the period when such control exists.

ARTICLE II. PAYMENTS TO JUNIPER

2.1 **Cash Payment to the Juniper.** As soon as reasonably practicable following the date upon which a judgment or stipulation for entry of judgment has been issued by the courts in each Court Proceeding (the “Stipulation Date”) (and in any event not later than three (3) business days following the Stipulation Date), PAN shall pay to Juniper the aggregate sum of \$75,000,000.00 by wire transfer to an account specified by Juniper in writing to PAN.

2.2 **Stock Grant to Juniper.** On the Effective Date, PAN shall issue to Juniper 1,080,747 shares of common stock (the “Shares”), which is equal to the quotient (rounded to the nearest whole number) of \$70,000,000.00 divided by \$64.77 (the “Average Price”), which is the volume-weighted average closing price of PAN common stock for the five (5) trading days immediately preceding the Effective Date. The Shares shall be issued to Juniper in reliance on the exemption from registration provided by Section 4(a)(2) (“Section 4(a)(2)”) of the of the Securities Act of 1933, as amended (the “Securities Act”).

2.3 **Warrant Grant to Juniper.** As soon as reasonably practicable following the Stipulation Date (and in any event not later than three (3) business days following the Stipulation Date), PAN shall issue to Juniper a warrant in the form attached hereto as Exhibit D (the “Warrant”) to purchase 463,177 shares of common stock (the “Warrant Shares”), which is equal to the quotient (rounded to the nearest whole number) of \$30,000,000.00 divided by the Average Price. The Warrant shall be issued to Juniper in reliance on the same federal securities law exemption as the Shares.

ARTICLE III. GRANT OF RIGHTS UNDER PATENTS

3.1 **Rights Granted to PAN Under the Juniper Patents.** Juniper hereby grants to PAN and its Subsidiaries a non-transferable (except as provided herein), non-exclusive, irrevocable, fully paid-up, royalty-free, worldwide right and license of the Juniper Patents to make, have made, use, import, have imported, export, have exported, market, distribute, sell, lease and offer to sell any products and services, and employ any processes and methods, in whole or in part, including in combination, for the life of the patents.

3.2 **Rights Granted to Juniper Under the PAN Patents.** PAN hereby grants to Juniper and its Subsidiaries a non-transferable (except as provided herein), non-exclusive, irrevocable, fully paid-up, royalty-free, worldwide right and license of the PAN Patents to make, have made, use, import, have imported, export, have exported, market, distribute, sell, lease and offer to sell any products and services, and employ any processes and methods, in whole or in part, including in combination, for the life of the patents.

3.3 **Immunity for Customers and Suppliers.** The licenses in this Article III include immunity under the Juniper Patents and PAN Patents for the distributors, resellers, end-users and other customers (direct or indirect) of PAN and Juniper and their Subsidiaries for the products and services marketed, distributed, sold or leased by PAN or Juniper or their Subsidiaries regardless of whether the customers' activities occur in the same country in which Juniper or PAN or their Subsidiaries first marketed, distributed, sold or leased the products or services. The immunity (a) will apply to the combination of the products and services provided by PAN and Juniper and their Subsidiaries with other products and services not provided by PAN or Juniper or their Subsidiaries only if the products or services of PAN or Juniper or their Subsidiaries embody a material element of the patents, and (b) in the case of software and other copyrightable subject matter provided by PAN or Juniper or their Subsidiaries, will apply to the copies of such software and other copyrightable subject matter made by or for the customers. The licenses in this Article III also include immunity under the Juniper Patents and PAN Patents for the manufacturers, service providers and other suppliers of PAN and Juniper and their Subsidiaries, but only for products and services provided to or for Juniper or PAN or their Subsidiaries.

3.4 **No Sublicenses.** Subject to the other terms of this Agreement, the rights granted in Sections 3.1 and 3.2 are not sublicensable.

ARTICLE IV. RELEASES AND COVENANTS

4.1 **Juniper Patent Release.** Effective immediately upon the Effective Date, Juniper and its Subsidiaries hereby release, acquit, covenant not to sue and forever discharge PAN and its Subsidiaries from any and all actions, causes of action, claims, assertions or demands, liabilities, losses, damages, attorneys' fees, court costs, or any

other form of claim or compensation for any and all known and unknown acts related to the Juniper Patents, including, without limitation, all actions, causes of action, claims, assertions or demands that were raised or could have been raised in the Court Proceedings or PTO Proceedings. This release encompasses all uses of PAN's and its Subsidiaries' products and services, including all uses of PAN and Subsidiary products and services by third parties. For purposes of this Section 4.1, "uses" of PAN and Subsidiary products and services includes the resale, further distribution, export and import (and, in the case of software and other copyrightable subject matter, copying) of such products and services.

4.2 **PAN Patent Release.** Effective immediately upon the Effective Date, PAN and its Subsidiaries hereby release, acquit, covenant not to sue and forever discharge Juniper and its Subsidiaries from any and all actions, causes of action, claims, assertions or demands, liabilities, losses, damages, attorneys' fees, court costs, or any other form of claim or compensation for any and all known and unknown acts related to the PAN Patents, including, without limitation, all actions, causes of action, claims, assertions or demands that were raised or could have been raised in the Court Proceedings or PTO Proceedings. This release encompasses all uses of Juniper's and its Subsidiaries' products and services, including all uses of Juniper and Subsidiary products and services by third parties. For purposes of this Section 4.2, "uses" of Juniper and Subsidiary products and services includes the resale, further distribution, export and import (and, in the case of software and other copyrightable subject matter, copying) of such products and services.

4.3 **Juniper General Release.** Effective immediately upon the Effective Date, except as set forth below, Juniper and its Subsidiaries hereby release, acquit, covenant not to sue and forever discharge PAN and its Subsidiaries and their respective agents, attorneys, insurers, contractors, employees, officers, directors and investors (in their capacities as such) from any and all actions, causes of action, claims, assertions or demands, liabilities, losses, damages, attorneys' fees, court costs, or any other form of claim or compensation for any and all known and unknown acts arising, occurring or otherwise incurred on or before the Effective Date, whether or not the foregoing were raised or could have been raised in the Court Proceedings or the PTO Proceedings.

4.4 **PAN General Release.** Effective immediately upon the Effective Date, except as set forth below, PAN and its Subsidiaries hereby release, acquit, covenant not to sue and forever discharge Juniper and its Subsidiaries and their respective agents, attorneys, insurers, contractors, employees, officers, directors and investors (in their capacities as such) from any and all actions, causes of action, claims, assertions or demands, liabilities, losses, damages, attorneys' fees, court costs, or any other form of claim or compensation for any and all known and unknown acts arising, occurring or otherwise incurred on or before the Effective Date, whether or not the foregoing were raised or could have been raised in the Court Proceedings or the PTO Proceedings.

4.5 **PAN PTO Proceedings.** Effective immediately upon the Effective Date, PAN and its Subsidiaries agree for a period of eight (8) years following the Effective Date to refrain from initiating or participating in any proceedings directed at challenging any of the Juniper Patents or any other patents of Juniper or its Subsidiaries in the United

States Patent & Trademark Office (“USPTO”), other than in response to a litigation, proceeding, assertion of infringement, or similar action by Juniper or its Subsidiaries relating to patents. PAN will cooperate with Juniper in submitting joint motions to terminate any and all PTO Proceedings that allow for submission of such a motion. Juniper acknowledges and agrees that PAN and its Subsidiaries will not be in breach of this Agreement for the continuation after the Effective Date of USPTO proceedings commenced before the Effective Date over which they have no control notwithstanding their refraining from participating in the proceedings.

4.6 Juniper PTO Proceedings. Effective immediately upon the Effective Date, Juniper and its Subsidiaries agree for a period of eight (8) years following the Effective Date to refrain from initiating or participating in any proceedings directed at challenging any of the PAN Patents or any other patents of PAN or its Subsidiaries in the USPTO, other than in response to a litigation, proceeding, assertion of infringement, or similar action by PAN or its Subsidiaries relating to patents.

4.7 No Limitation on Patent Prosecution or Defenses. Nothing in Section 4.5 or 4.6 shall prevent or constrain a party in any way from taking actions in connection with the prosecution of their own patents and patent applications before the USPTO or any foreign equivalent or from participating in interference or derivation proceedings to establish the priority of their inventions or their inventorship. In addition, nothing in this Article IV (including the releases) shall prevent or constrain a party in any way from employing any defense to a claim of patent infringement (including any defense based on invalidity, unenforceability or scope of the claims of the patent).

4.8 Juniper Covenant Not To Sue For Infringement. For a period of eight (8) years following the Effective Date, Juniper will not bring any litigation or proceeding against PAN or its Subsidiaries or any third party alleging, directly or indirectly, that PAN or its Subsidiaries or any product or service made, have made, used, marketed, distributed, sold, leased or offered for sale by or for PAN or any of its Subsidiaries infringes, directly or indirectly, any patent owned or controlled by, or exclusively licensed to, Juniper or a Juniper Subsidiary, nor will damages for any alleged infringement accrue during this 8-year period (and, on expiration of this period, there will be no right to sue for past damages). If any non-Affiliate entity purchases or obtains all or substantially all of the ownership interest in PAN (“PAN Acquisition”), (a) the products or services subject to this covenant will thereafter be limited to the products and services that are or have been made, used, distributed, sold, leased or offered for sale, or under active development, by or for PAN or its Subsidiaries at the time of the PAN Acquisition and any improvements, upgrades or successors to any such products and services (including new products and services embodying the functionality of such products and services), regardless of whether they bear the same product name as such products and services, and will not apply to any then-existing products and services of the acquiring entity or its other Subsidiaries, and (b) whether or not this Agreement is assigned to the acquiring entity or any of its other Subsidiaries pursuant to Section 8.6, the releases and covenants of this Agreement will not apply to any patents or patent applications of the acquiring entity or its other Subsidiaries. For purposes of this section, “active development” means a non-trivial, documented investment in and progress toward engineering, research, or development as opposed to creating a conceptual or aspirational description of a future product or service.

4.9 PAN Covenant Not To Sue For Infringement. For a period of eight (8) years following the Effective Date, PAN will not bring any litigation or proceeding against Juniper or its Subsidiaries or any third party alleging, directly or indirectly, that Juniper or its Subsidiaries or any product or service made, have made, used, marketed, distributed, sold, leased or offered for sale by or for Juniper or any of its Subsidiaries infringes, directly or indirectly, any patent owned or controlled by, or exclusively licensed to, PAN or a PAN Subsidiary, nor will damages for any alleged infringement accrue during this 8-year period (and, on expiration of this period, there will be no right to sue for past damages). If any non-Affiliate entity purchases or obtains all or substantially all of the ownership interest in Juniper (“Juniper Acquisition”), (a) the products or services subject to this covenant will thereafter be limited to the products and services that are or have been made, used, distributed, sold, leased or offered for sale, or under active development, by or for Juniper or its Subsidiaries at the time of the Juniper Acquisition and any improvements, upgrades or successors to any such products and services (including new products and services embodying the functionality of such products and services), regardless of whether they bear the same product name as such products and services, and will not apply to any then-existing products and services of the acquiring entity or its other Subsidiaries, and (b) whether or not this Agreement is assigned to the acquiring entity or any of its other Subsidiaries pursuant to Section 8.6, the releases and covenants of this Agreement will not apply to any patents or patent applications of the acquiring entity or its other Subsidiaries. For purposes of this section, “active development” means a non-trivial, documented investment in and progress toward engineering, research, or development as opposed to creating a conceptual or aspirational description of a future product or service.

4.10 Immunity for Customers and Suppliers. The covenants in Sections 4.8 and 4.9 include immunity under the patents to which those covenants apply (“Covenant Patents”) (a) for the combination of the products and services provided by PAN and Juniper and their Subsidiaries with other products and services not provided by PAN or Juniper or their Subsidiaries only if the products or services of PAN or Juniper or their Subsidiaries embody a material element of the patents, and (b) in the case of software and other copyrightable subject matter provided by PAN or Juniper or their Subsidiaries, for the copies of such software and other copyrightable subject matter made by or for the customers. The covenants in Sections 4.8 and 4.9 also include immunity under the Covenant Patents for the manufacturers, service providers and other suppliers of PAN and Juniper and their Subsidiaries, but only for products and services provided to or for Juniper or PAN or their Subsidiaries.

4.11 Effect of Ceasing to Be Subsidiary. The parties acknowledge and agree that (a) the covenants in Sections 4.8 and 4.9 will apply to a Subsidiary (as grantee) only with respect to the period when such entity meets the requirements for being a “Subsidiary” and will terminate as to activities that occur after such entity ceases to be a Subsidiary, but (b) an entity’s ceasing to be a Subsidiary will not affect the covenants granted under this Agreement with respect to the Covenant Patents of such entity, which such covenants will remain in effect subject to the terms and conditions of this Agreement with respect to the remaining term of the 8-year period even after such entity ceases to be a Subsidiary.

4.12 **California Civil Code 1542 Waiver.** Each of the Parties, on behalf of themselves and their respective Subsidiaries, expressly and knowingly waive any and all rights or remedies which they have or may have under the provisions of Section 1542 of the California Civil Code (or any similar statute in any other state or jurisdiction) with respect to all potential claims described in Sections 4.1, 4.2, 4.3, and 4.4, whether known or unknown. Section 1542 reads as follows:

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

ARTICLE V. DISMISSAL

5.1 **Dismissal.** Within one (1) business day of the Effective Date, the Parties agree to stipulate to terminate and dismiss with prejudice all of the pending litigation and proceedings between them by the entry of a Stipulations of Dismissal and Agreed Orders of Dismissal with Prejudice in the form attached as Exhibit C. Each Party shall bear its own costs and attorneys' fees with respect to the Court Proceedings and the PTO Proceedings.

ARTICLE VI. REPRESENTATIONS AND WARRANTIES; LIABILITY

6.1 **Authorization.** Each Party represents and warrants to the other Party that it has the legal right and power (on behalf of itself and its Subsidiaries) to enter into this Agreement, to extend the releases, covenants not to sue, licenses and other rights granted to the other in this Agreement, and to fully perform its obligations hereunder, and that the performance of such obligations will not conflict with its charter documents or any agreements, contracts, or other arrangements to which it is a party. Each Party represents and warrants to the other Party that there are no other persons whose consent to this Agreement or whose joinder hereto is necessary to make fully effective the provisions of this Agreement, including, without limitation, that there are no other entities who possess any interest in or otherwise have any right to consent with respect to the patent rights being licensed or the claims being released herein. Upon execution, this Agreement will be a legal and binding obligation of each of the Parties and their Subsidiaries, enforceable against each Party and its Subsidiaries in accordance with its terms, except as enforcement may be limited by equitable principles or creditor's rights generally. Without limitation of the generality of the foregoing, each Party represents and warrants that the releases, covenants not to sue, licenses and other rights will be binding on all of its Subsidiaries, such that all the Subsidiaries of such Party have granted and will grant to the other party (as grantee) releases, covenants not to sue, licenses and other rights of the scope contemplated by this Agreement under all patents of such Subsidiaries that, if held by such Party itself, would be subject to those releases, covenants not to sue, licenses and other rights (and each Party covenants that it will cause the foregoing to be true). In addition, each Party represents and warrants to the

other Party that in the one-year period before the Effective Date, neither such Party nor any of its Subsidiaries has assigned or otherwise transferred any patents or patent applications (or engaged in any other actions that would cause any patents or patent applications not to become Covenant Patents).

6.2 **Full Understanding and Without Duress.** Each of the Parties acknowledges that it has read all of the terms of this Agreement and enters into those terms voluntarily and without duress. Each Party has been represented by legal counsel and enters into this Agreement with full knowledge and understanding of the legal consequences hereof.

6.3 **Licenses are Material Terms.** Each Party acknowledges and agrees that the cross-licenses, releases and covenants granted hereunder are material terms of this Agreement, in the absence of which the Parties would not have entered into this Agreement or agreed to settle the disputes between them.

6.4 **Reliance.** Each of the warranties and representations contained in this Agreement is material and the Parties are relying upon each one in entering into this Agreement.

6.5 **Disclaimer of Warranties.** Nothing in this Agreement shall be construed as (i) a warranty or representation as to the validity or scope of any patent or claim included within the Juniper Patents or the PAN Patents; (ii) a warranty or representation that the exploitation of any patent rights hereunder or the manufacture, use, sale, offer for sale or import of any products or services is or will be free from infringement of patents or other rights of third parties; (iii) an obligation of any Party to bring or prosecute actions or suits against third parties for infringement; (iv) an obligation of any Party to defend against any action challenging the validity of the licensed patents; or (v) an obligation of any Party to maintain any patent or to continue to prosecute any patent application anywhere in the world.

6.6 EXCEPT AS TO EXPRESS REPRESENTATIONS, WARRANTIES AND OTHER TERMS IN THIS AGREEMENT, EACH OF THE JUNIPER PATENTS AND THE PAN PATENTS ARE LICENSED "AS-IS" WITHOUT REPRESENTATION, WARRANTY OR LIABILITY OF ANY KIND. EACH LICENSOR PARTY SPECIFICALLY DISCLAIMS ANY AND ALL WARRANTIES OF ANY KIND WITH REGARD TO THE LICENSOR PARTY'S PATENTS AND LICENSED PATENT RIGHTS, WHETHER EXPRESS OR IMPLIED, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, ANY WARRANTIES ARISING FROM COURSE OF DEALING OR USAGE OF TRADE OR THE WARRANTY OF NON-INFRINGEMENT.

6.7 **No Pending Claims.** Each Party represents and warrants that as of the Effective Date, to its knowledge, there is no lawsuit or other legal action that is pending, threatened or planned by such Party or its Affiliates against any other Party or its Affiliates except for the Court Proceedings and the PTO Proceedings.

6.8 **Representations of Juniper.** Juniper hereby represents and warrants with respect to the Shares and the Warrant as follows:

6.8.1. **Purchase Entirely for Own Account.** The Shares and the Warrant are issued to Juniper in reliance upon Juniper's representation to PAN that the Shares and the Warrant will be acquired for Juniper's, or its Affiliate's, own account, not as a nominee or agent, and not with a view to the distribution of any part thereof other than to an Affiliate.

6.8.2. **Reliance upon Juniper's Representations.** Juniper understands that the Shares and the Warrant are not registered under the Securities Act on the basis that the issuance of such securities is exempt from registration under the Securities Act, and that any reliance by PAN on Section 4(a)(2) is predicated on Juniper's representations set forth herein.

6.8.3. **Accredited Investor Status.** Juniper represents to PAN that Juniper is an Accredited Investor (as defined in the Securities Act).

6.8.4. **Restricted Securities.** Juniper understands and agrees that the Shares and the Warrant are "restricted securities" under the federal securities laws inasmuch as they are being acquired from PAN in a transaction not involving a public offering and that under such federal securities laws and applicable regulations, such securities may not be resold without an effective registration under the Securities Act or pursuant to Rule 144 or an exemption from the registration requirements to the Securities Act.

6.8.5. **Legends.** Juniper understands and agrees that the Shares and the Warrant shall bear a legend in substantially the following form (in addition to any legend required under applicable state securities laws):

"THE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR ANY APPLICABLE STATE SECURITIES LAWS, AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED WITHOUT AN EFFECTIVE REGISTRATION THEREOF UNDER THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS, OR PURSUANT TO RULE 144 OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS."

ARTICLE VII. REGISTRATION

7.1 **Registration on Form S-3.** PAN shall file pursuant to paragraph I.D of the General Instructions relating to automatic shelf offerings by well-known seasoned issuers, a registration statement on Form S-3 (the "Registration Statement") under the Securities Act registering the resale of the Settlement Securities no later than the later of (i) June 10, 2014 or (ii) three (3) business days following the Stipulation Date (but in any event no sooner than the date on which the Warrant is issued). PAN shall:

7.1.1. keep the Registration Statement effective until the earlier to occur of (i) the date on which all of the Settlement Securities included in the Registration Statement have been sold or (ii) such time as Juniper is eligible to sell the Settlement Securities under Rule 144 of the Securities Act without regard to any of the restrictions described in such rule that would impact Juniper's ability to sell such Settlement Securities pursuant to such rule;

7.1.2. prepare and file with the U.S. Securities and Exchange Commission (the "SEC") such amendments and supplements to the Registration Statement, the prospectus and, if required, any Free Writing Prospectus used in connection with the Registration Statement as may be necessary to comply with the Securities Act in order to enable the disposition of all securities covered by the Registration Statement;

7.1.3. furnish to Juniper such numbers of copies of a prospectus, including any Free Writing Prospectus, as required by the Securities Act, and such other documents as Juniper may reasonably request in order to facilitate its disposition of the Settlement Securities;

7.1.4. use its reasonable efforts to cause all such Settlement Securities to be listed on the New York Stock Exchange; and

7.1.5. notify Juniper of the time when a supplement to any prospectus or Free-Writing Prospectus forming a part of the Registration Statement has been filed.

7.2 **Expenses of Registration.** All expenses incurred in connection with registrations, filings, or qualifications pursuant to this Article VII, including all registration, filing, and qualification fees, printers' and accounting fees, and fees and disbursements of counsel for PAN shall be borne and paid by PAN.

7.3 **Indemnification.**

7.3.1. To the extent permitted by law, PAN will indemnify and hold harmless Juniper, and its officers, directors, legal counsel and accountants ("Juniper Indemnified Persons"), against any Damages, and PAN will pay to each Juniper Indemnified Person any legal or other expenses reasonably incurred thereby in connection with investigating or defending any claim or proceeding from which Damages may result, as such expenses are incurred; provided, however, that the indemnity agreement contained in this Section 7.3.1 shall not apply to amounts paid in settlement of any such claim or proceeding if such settlement is effected without the consent of PAN, which consent shall not be unreasonably withheld, conditioned, or delayed, nor shall PAN be liable for any Damages to the extent that they arise out of or are based upon a Violation which occurs solely in reliance upon and in conformity with written information furnished to PAN by Juniper regarding Juniper's name, the shares of PAN beneficially held by Juniper, and the number of shares to be registered and reflected in the registration statement and expressly stated to be for use in such registration. "Damages" means any loss, damage, or liability (joint or several) to which a Juniper Indemnified Person may become subject under the Securities Act, the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or other federal or state law, insofar as such loss, damage, or liability (or any action in respect thereof) arises out of or is based upon any of the following (collectively, a "Violation"): (a) any untrue statement or

alleged untrue statement of a material fact contained in any registration statement of PAN, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto; (b) an omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading; or (c) any violation or alleged violation by PAN (or any of its agents or affiliates) of the Securities Act, the Exchange Act, any state securities law, or any rule or regulation promulgated under the Securities Act, the Exchange Act, or any state securities law.

7.3.2. To the extent permitted by law, Juniper will indemnify and hold harmless PAN, and its officers, directors, legal counsel and accountants (“PAN Indemnified Persons”), against any Damages, and Juniper will pay to each PAN Indemnified Person any legal or other expenses reasonably incurred thereby in connection with investigation or defending any claim or proceeding from which Damages may result, as such expenses are incurred, in each case to the extent, but only to the extent, that such Violation occurs solely in reliance upon and in conformity with written information furnished to PAN by Juniper regarding Juniper’s name, the shares of PAN beneficially held by Juniper, and the number of shares to be registered and reflected in the registration statement and expressly stated to be for use in such registration; provided, however, that the indemnity agreement contained in this Section 7.3.2 shall not apply to amounts paid in settlement of any such claim or proceeding if such settlement is effected without the consent of Juniper, which consent shall not be unreasonably withheld, conditioned or delayed, and provided further, that in no event shall any indemnity under this Section 7.3.2 exceed the proceeds from the sale by Juniper of the Settlement Securities under such registration statement.

7.3.3. Promptly after receipt by a Juniper Indemnified Person or a PAN Indemnified Person (each an “Indemnified Person”) under this Section 7.3 of notice of the commencement of any action (including any governmental action) for which a party may be entitled to indemnification hereunder, such Indemnified Person will, if a claim in respect thereof is to be made against an indemnifying party under this Section 7.3.3 give such indemnifying party notice of the commencement thereof. The indemnifying party shall have the right to participate in such action and, to the extent the indemnifying party so desires, participate jointly with any other indemnifying party to which notice has been given, and to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an Indemnified Person (together with all other indemnified parties that may be represented without conflict by one counsel) shall have the right to retain one separate counsel, with the fees and expenses to be paid by the indemnifying party, if representation of such Indemnified Person by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such Indemnified Person and any other party represented by such counsel in such action. The failure to give notice to an indemnifying party within a reasonable time of the commencement of any such action shall relieve such indemnifying party of any liability to the Indemnified Person under this Section 7.3.3 solely to the extent that such failure prejudices such indemnifying party’s ability to defend such action. The obligations of the parties under this Section 7.3.3 shall survive the completion of any offering of Settlement Securities in a registration under this Agreement, and otherwise shall survive the termination of this Agreement.

7.3.4. If the indemnification provided for in this Section 7.3 is held by a court of competent jurisdiction to be unavailable to an indemnified party with respect to any Damages referred to therein, then the indemnifying party, in lieu of indemnifying such indemnified party hereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such Damages in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and of the indemnified party on the other in connection with the Violations that resulted in such Damages as well as any other relevant equitable considerations; provided, that in no event shall any contribution by Juniper under this Subsection 7.3.4 exceed the proceeds from the sale by Juniper of the settlement securities under the registration statement. The relative fault of the indemnifying party and of the indemnified party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or the alleged omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

7.4 **Reports under the Exchange Act**. For so long as Juniper holds Settlement Securities (or until it can freely sell all such shares under Rule 144) PAN shall:

7.4.1. use commercially reasonable efforts to make and keep available adequate current public information, as those terms are understood and defined in SEC Rule 144; and

7.4.2. use commercially reasonable efforts to file with the SEC in a timely manner all reports and other documents required of PAN under the Securities Act and the Exchange Act.

7.5 **Sales of Settlement Securities under the Registration Statement**. Juniper agrees not to offer, sell or otherwise dispose of any Settlement Securities under the Registration Statement during any trading "blackout" period under PAN's Insider Trading Policy; provided, however, that this restriction shall not apply to sales of Settlement Securities pursuant to Rule 144 or any other exemption.

7.6 **Suspensions of Sales of Settlement Securities under the Registration Statement**. At any time from and after the effective date of the Registration Statement, PAN may restrict offers and sales or other dispositions of the Settlement Securities under the Registration Statement, and Juniper will not be able to offer or sell or otherwise dispose of the Settlement Securities thereunder, by delivering a written notice (a "Suspension Notice") to Juniper stating that a delay in the offer and sale or other disposition of the Settlement Securities is necessary because PAN, in its reasonable good faith judgment, has determined that the offer and sale or other disposition of the Settlement Securities would require public disclosure by PAN of material nonpublic information that is not included in the Registration Statement and that immediate disclosure of such information would be materially detrimental to PAN; provided, however, that PAN may not suspend offers and sales or other dispositions of the Settlement Securities pursuant to this Section 7.6 for more than thirty (30) days each time and for more than sixty (60) days in the aggregate. Promptly following the

cessation or discontinuance of the facts and circumstances forming the basis for any Suspension Notice, PAN shall use its commercially reasonable efforts to amend the Registration Statement and/or amend or supplement the related prospectus included therein to the extent necessary, and take all other actions reasonably necessary, to allow the offer and sale or other disposition of the Settlement Securities to recommence as promptly as possible, and promptly notify Juniper in writing when such offers and sales or other dispositions of the Settlement Securities under the Registration Statement may recommence. Upon receipt of a Suspension Notice, Juniper shall immediately suspend their use of the Registration Statement and any prospectus included therein or forming a part thereof to offer and sell or otherwise dispose of the Settlement Securities, and shall not offer or sell or otherwise dispose of the Settlement Securities under the Registration Statement or any prospectus included therein or forming a part thereof until receipt of a notice from PAN pursuant to the preceding sentence that offers and sales or other dispositions of the Settlement Securities may recommence. Juniper shall keep the fact that PAN has delivered a Suspension Notice and any non-public information provided by PAN in connection therewith confidential, shall not disclose or reveal the Suspension Notice or any such information to any person or entity and shall not use such information for securities trading or any other purpose.

ARTICLE VIII. MISCELLANEOUS

8.1 **No Admissions.** Neither the entering of this Agreement, nor any provision provided for herein, shall be deemed as an admission or indication by any Party of any fact, valuation, royalty, wrongdoing, liability, infringement, or non-infringement, or of the validity or invalidity or the scope of any of the patents asserted in the Court Proceedings or any other patents to which this Agreement applies (and neither Party nor any of its Subsidiaries will, in any litigation or other proceeding, take any position inconsistent with the foregoing or use this Agreement or any part provision hereof in a manner inconsistent with the foregoing).

8.2 **No Implied Rights; Enforcement of Patents.** Except as expressly set forth herein, neither Party nor any third party shall acquire hereunder any right, title or interest in any of the Juniper Patents or PAN Patents, or in any intellectual property owned or controlled by Juniper or PAN. The releases, covenants not to sue and licenses granted hereunder do not transfer to any Party the right to institute any action against any third party for infringement of the Juniper Patents or PAN Patents.

8.3 **No Rescission.** The Parties hereby waive any claim or right to rescission of, or any attempt to rescind, this Agreement, whether such claim or right arises out of contract, law or equity, and further without regard to the alleged basis of such claim or right.

8.4 **Limitation of Liability.** The Parties shall not be liable to the other Parties or any other person or entity (under contract, strict liability, negligence, or other theory) for special, indirect, exemplary, incidental, or consequential damages, including ANY SUCH DAMAGES BASED ON lost profits, opportunities or savings, arising out of or related to the subject matter of this Agreement, even if advised of the possibility of the foregoing.

8.5 **Choice of Law.** The validity, construction and performance of this Agreement shall be construed, interpreted, applied and governed in all respects in accordance with the laws of the United States of America and the State of California, without giving any effect to the rules relating to choice or conflict of laws. Any dispute, litigation, arbitration or other proceedings between the Parties arising out of or related to this Agreement shall take place in the County of Santa Clara, California.

8.6 **Assignment of Agreement.** This Agreement may not be assigned by either Party without the prior written consent of the other Party (which may be withheld for any reason or no reason), except that either Party may assign this Agreement to a successor in connection with the merger, consolidation, or sale of all or substantially all of its assets or of that portion of its business pertaining to the subject matter of this Agreement with prompt written notice to the other Party of any such assignment. This Agreement shall inure to the benefit of and be binding upon the Parties and their respective lawful successors and assigns in accordance with its terms.

8.7 **Assignment of Patents.** The licenses and covenants in Article III and Sections 4.8 and 4.9 are intended to (and will) “run” with the Juniper Patents, PAN Patents and Covenant Patents and will apply to and be binding on any assignees, exclusive licensees or other transferees of the patents. For avoidance of doubt, the transferring party will require that any direct or indirect assignee, exclusive licensee or other transferee agree to be bound by such licenses and covenants and related immunities and will indemnify and hold harmless the other party and its Subsidiaries against any damages, costs and other liabilities (including attorneys’ fees) incurred by the other party and its Subsidiaries that result from any failure to cause such licenses and covenants to be so binding.

8.8 **Compliance With Law.** Nothing in this Agreement shall be construed so as to require the commission of any act contrary to law, and wherever there is any conflict between any provision of this Agreement and any statute, law, ordinance or treaty, the latter shall prevail, but in such event the affected provisions of the Agreement shall be conformed and limited only to the extent necessary to bring it within the applicable legal requirements.

8.9 **Severability.** In the event that any provision of this Agreement shall, for any reason, be held to be invalid or unenforceable in any respect, such invalidity or unenforceability shall not affect any other provision hereof, and the Parties shall negotiate in good faith to modify the Agreement to preserve (to the extent possible) their original intent.

8.10 **Use of Names, Publicity.** Neither Party shall have the right to use in advertising, publicity or other promotional activities any name, trade name, trademark or other designation of the other Party (except to the extent such use would be permitted by applicable law in the absence of an agreement between the Parties).

8.11 **No Partnership.** Nothing in this Agreement is intended or shall be deemed to constitute a partnership, agency, employer-employee, fiduciary or joint venture relationship between the Parties. Notwithstanding any of the provisions of this

Agreement, neither Party shall at any time enter into, incur, or hold itself out to third parties as having authority to enter into or incur, on behalf of the other Party, any commitment, expense, or liability whatsoever.

8.12 **Interpretation**. The subject headings used in this Agreement are included for purposes of convenience only, and shall not affect the construction or interpretation of any provisions of this document. In addition, for purposes of construing or interpreting this Agreement, (a) unless the context otherwise requires, the singular includes the plural, and the plural includes the singular; (b) unless the context otherwise requires, the masculine includes the feminine and neutral genders, the feminine includes the masculine and neutral genders, and the neuter includes the male and female genders; (c) unless otherwise specified in this Agreement, references to “days” are to calendar days; (d) the terms “products” and “services” include products and services and components, parts and other portions thereof (whether hardware, software, data or other subject matter), and the term “suppliers” includes providers of products and services whether the products and services are provided by sale, lease, license, or otherwise; (e) the term “sell” (including “sale,” “sold” and other forms) and similar terms include selling, leasing, licensing and other terms under which products or services may be provided (and, when applied to software or other copyrightable subject matter, includes the granting of licenses to use or copy such software or other copyrightable subject matter).

8.13 **No Oral Modification**. No provision of this Agreement can be waived, modified, amended, or supplemented except in a writing that expressly references this Agreement and is signed by an authorized representative of each Party to be bound.

8.14 **Waiver**. Any waiver of any rights or failure to act in a specific instance shall relate only to such instance and shall not be construed as an agreement to waive any rights or failure to act in any other instance, whether or not similar.

8.15 **No Construction Against Drafter**. Because all Parties have participated in drafting, reviewing, and editing the language of this Agreement, no presumption for or against any Party arising out of drafting all or any part of this contract shall be applied in any action whatsoever.

8.16 **Integrated Agreement**. This Agreement (including the exhibits and documents referenced herein to be filed in performance hereof) constitutes the entire understanding and contract between the Parties with respect to the subject matter referred to herein. Any and all other representations, understandings, or agreements, whether oral, written, or implied, with respect to the subject matter of this Agreement are merged into and superseded by the terms of this Agreement.

8.17 **Notice.** All notices required or permitted to be given hereunder shall be in writing and shall be deemed delivered: (i) upon receipt if delivered by hand, or (ii) five (5) business days after being sent by prepaid, internationally recognized, air courier. All notices shall be addressed as follows:

If to Juniper:

Juniper Networks, Inc.
Attn: General Counsel
1194 N. Mathilda Ave.
Sunnyvale, California 94089

If to PAN:

Palo Alto Networks, Inc.
Attn: General Counsel
4401 Great America Parkway
Santa Clara, CA 95054

Copy to:

Jonathan S. Kagan
Irell & Manella LLP
1800 Avenue of the Stars, Suite 900
Los Angeles, CA 90064

Copy to:

Michael A. Jacobs
Morrison & Foerster LLP
425 Market Street
San Francisco, CA 94105-2482

8.18 **Execution in Counterparts.** This Agreement may be executed and delivered by facsimile or in a similar manner (e.g., PDF image of a manually executed signature page transmitted by email), and in any number of counterparts. When each Party has signed and delivered at least one counterpart to the other Party, each counterpart shall be deemed an original and all counterparts, taken together, shall constitute one and the same agreement, which shall be binding and effective on the Parties hereto. This Agreement shall not become binding on the Parties hereto unless it has been executed by authorized representatives of all Parties

8.19 **Attorneys' Fees.** In the event of and to the extent any dispute between the Parties arising under or related to this Agreement, including any arbitration, litigation or other legal proceeding, the prevailing Party shall be entitled, in addition to any other remedies available hereunder, to reimbursement of its fees and expenses incurred in connection with such dispute, including without limitation, attorneys' fees and costs, and fees and costs of arbitration or suit.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties have approved and executed this Agreement as of the Effective Date.

Juniper Networks, Inc.

By: /s/ Mitchell L. Gaynor
Name: Mitchell L. Gaynor
Title: Executive Vice President,
General Counsel & Secretary

Palo Alto Networks, Inc.

By: /s/ Mark D. McLaughlin
Name: Mark D. McLaughlin
Title: President & CEO

EXHIBIT A

Juniper Patents

U.S. Pat. No. 6,772,347

U.S. Pat. No. 7,093,280

U.S. Pat. No. 7,302,700

U.S. Pat. No. 7,650,634

U.S. Pat. No. 7,779,459

U.S. Pat. No. 8,077,723

U.S. Pat. No. 7,734,752

U.S. Pat. No. 7,107,612

U.S. Pat. No. 7,769,851

U.S. Pat. No. 7,953,895

U.S. Pat. No. 8,127,349

EXHIBIT B

PAN Patents

U.S. Pat. No. 5,887,139

U.S. Pat. No. 7,779,096

U.S. Pat. No. 7,797,439

EXHIBIT C

Forms of Stipulations of Dismissal and Agreed Orders of Dismissal

[Attached]

EXHIBIT C-1 TO SETTLEMENT AGREEMENT

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE**

JUNIPER NETWORKS, INC.,)
)
Plaintiff,)
) C.A. No. 11-1258-SLR
v.)
)
PALO ALTO NETWORKS, INC.,)
)
Defendant.)

STIPULATION OF DISMISSAL WITH PREJUDICE

Pursuant to Federal Rule of Civil Procedure 41(a)(1)(A)(ii), plaintiff Juniper Networks, Inc. and defendant Palo Alto Networks, Inc. hereby jointly move and stipulate that all claims between the parties be dismissed with prejudice, with each party to bear its own costs, expenses and attorneys' fees.

MORRIS, NICHOLS, ARSHT & TUNNELL LLP

POTTER ANDERSON & CORROON LLP

By: /s/ Jennifer Ying

By: /s/ Philip A. Rovner

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OF COUNSEL:

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*Attorneys for Plaintiff Juniper
Networks*

OF COUNSEL:

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Daralyn J. Durie
Ryan M. Kent
DURIE TANGRI LLP
217 Leidesdorff Street
San Francisco, CA 94111
(415) 362-6666

Attorneys for Defendant Palo Alto Networks

SO ORDERED THIS day of , 2014.

Sue L. Robinson
United States District Court Judge

EXHIBIT C-2 TO SETTLEMENT AGREEMENT

[See signature page for Counsel.]

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
OAKLAND DIVISION

PALO ALTO NETWORKS, INC.,

Plaintiff and Counter- Defendant,

v.

JUNIPER NETWORKS, INC.,

Defendant and Counterclaimant.

Case Number: C 13-04510 SBA

**JOINT STIPULATION OF
DISMISSAL WITH PREJUDICE**

Judge: Hon. Sandra B. Armstrong

JOINT STIPULATION OF DISMISSAL WITH PREJUDICE
CASE NO. 13-04510

Plaintiff and counterclaim-defendant Palo Alto Networks, Inc. and defendant and counterclaim-plaintiff Juniper Networks, Inc. hereby stipulate to the dismissal with prejudice of all claims and counterclaims between them in this action pursuant to Federal Rules of Civil Procedure 41(a)(1)(A)(ii) and (c), with each party to bear its own costs, expenses, and attorneys' fees.

Dated: May , 2014

/s/ Richard S.J. Hung

HAROLD J. MCELHINNY (BAR NO. 66781)
MICHAEL A. JACOBS (BAR NO. 111664)
MATTHEW I. KREEGER (BAR NO. 153793)
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Attorneys for Plaintiff
PALO ALTO NETWORKS, INC.

Dated: May , 2014

/s/ Lisa S. Glasser

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Newport Beach, California 92660-6324
Telephone: (949) 760-0991
Facsimile: (949) 760-5200
Attorneys for Defendant
JUNIPER NETWORKS, INC.

[PROPOSED] ORDER

PURSUANT TO STIPULATION, IT IS SO ORDERED.

Dated: _____

HONORABLE SAUNDRA B. ARMSTRONG
United States District Court Judge

JOINT STIPULATION OF DISMISSAL WITH PREJUDICE
CASE NO. 13-04510

EXHIBIT C-3 TO SETTLEMENT AGREEMENT

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Attorneys for Defendant
JUNIPER NETWORKS, INC.

SUPERIOR COURT OF THE STATE OF CALIFORNIA
COUNTY OF SANTA CLARA

NIR ZUK and PALO ALTO NETWORKS, INC.,

Plaintiffs,

v.

JUNIPER NETWORKS, INC.,

Defendant.

Case No. 113CV253876

**STIPULATION AND [PROPOSED]
ORDER OF DISMISSAL**

Action Filed: September 30, 2013
Judge: Hon. James P. Kleinberg
Department: 1

STIPULATION AND [PROPOSED] ORDER OF DISMISSAL

The parties having reached a settlement, plaintiff Palo Alto Networks, Inc. and defendant Juniper Networks, Inc. hereby stipulate and request, through their respective counsel of record, that the Court dismiss the entire action with prejudice as to all claims in this litigation. The parties have concurrently moved for a dismissal of the appeal of this action in the Court of Appeal of the State of California, Sixth Appellate District (Case No. H040772). Each party is to bear its own attorneys' fees, expenses and costs.

DATED: May , 2014

MORRISON & FOERSTER LLP

By: /s/ Richard J. Hung
Richard J. Hung

Attorneys for Plaintiffs
NIR ZUK AND PALO ALTO NETWORKS, INC.

DATED: May , 2014

IRELL & MANELLA LLP

By: /s/ Lisa S. Glasser
Lisa S. Glasser

Attorneys for Defendant
JUNIPER NETWORKS, INC.

[PROPOSED] ORDER

IT IS HEREBY ORDERED THAT the complaint in this action is dismissed in its entirety, with prejudice. Each party shall bear its own fees and costs.

Dated: _____

HONORABLE JAMES P. KLEINBERG
Judge of the Superior Court

STIPULATION AND [PROPOSED] ORDER OF DISMISSAL

**EXHIBIT C-4 TO SETTLEMENT
AGREEMENT**

**IN THE COURT OF APPEAL
OF THE STATE OF CALIFORNIA
SIXTH APPELLATE DISTRICT**

NIR ZUK AND PALO ALTO NETWORKS, INC.,
Plaintiffs and Appellants,

v.

JUNIPER NETWORKS, INC.,
Defendant and Respondent.

On Appeal from Order of the Santa Clara County Superior Court,
Case No. 1-13-CV-253876, Hon. James P. Kleinberg, Judge Presiding

**NOTICE OF SETTLEMENT AND JOINT STIPULATION
FOR DISMISSAL OF APPEAL**

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MICHAEL A. JACOBS (SBN 111664)
RICHARD S.J. HUNG (SBN 197425)
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hmittleman@irell.com
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Attorneys for Respondent
Juniper Networks, Inc.

Pursuant to California Rules of Court, Rule 8.244(a)(1), Plaintiffs/Appellants Nir Zuk and Palo Alto Networks, Inc., hereby notify the Court that they have reached a settlement of the above captioned matter with Defendant/Respondent, Juniper Networks, Inc.

Pursuant to Rule 8.244(c)(1), the parties hereby stipulate to the dismissal of the within-entitled appeal and request this court to enter an order dismissing the appeal with prejudice, with each party to bear its own attorneys' fees, expenses and costs.

Respectfully submitted by:

Date: _____

MORRISON & FOERSTER LLP

By: _____

Miriam A. Vogel

Attorneys for Appellants
NIR ZUK and PALO ALTO
NETWORKS, INC.

Date: _____

IRELL & MANELLA, LLP

By: _____

Harry A. Mittleman

Attorneys for Respondents
JUNIPER NETWORKS, INC.

**IN THE COURT OF APPEAL
OF THE STATE OF CALIFORNIA
SIXTH APPELLATE DISTRICT**

NIR ZUK AND PALO ALTO NETWORKS, INC.,

Plaintiffs and Appellants,

v.

JUNIPER NETWORKS, INC.,

Defendant and Respondent.

On Appeal from Order of the Santa Clara County Superior Court, Case No. 1-13-CV-253876, Hon. James P. Kleinberg, Judge Presiding

PROPOSED ORDER

HAROLD J. MCELHINNY (SBN 6671)
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Attorneys for Respondent
Juniper Networks, Inc.

The Appeal in this matter, *Nir Zuk and Palo Alto Networks, Inc. v. Juniper Networks, Inc.*, Case No. H040772, is hereby dismissed with prejudice, with each party to bear its own attorneys' fees, expenses and costs.

DATED: _____

PRESIDING JUSTICE

EXHIBIT C-5 TO SETTLEMENT AGREEMENT
UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

Palo Alto Networks, Inc.
Petitioner

v.

Juniper Networks, Inc.
Patent Owner

Patent No. 7,107,612

Issue Date: September 12, 2006

Title: METHOD, APPARATUS AND COMPUTER PROGRAM PRODUCT FOR A NETWORK
FIREWALL

Inter Partes Review No. IPR2013-00369

**PALO ALTO NETWORKS, INC.'S AND JUNIPER NETWORKS, INC.'S
JOINT MOTION TO TERMINATE PROCEEDING
PURSUANT TO 35 U.S.C. § 317**

Pursuant to 35 U.S.C. § 317(a), Palo Alto Networks, Inc. (“Petitioner”) and Juniper Networks, Inc. (“Patent Owner”) jointly move for termination of *inter partes* review of U.S. Patent No. 7,107,612, Case No. IPR2013-00369, with the United States Patent and Trademark Office.

“An *inter partes* review instituted under this chapter ***shall be terminated*** with respect to any petitioner upon the joint request of the petitioner and the patent owner, ***unless the Office has decided the merits of the proceeding*** before the request for termination is filed.” 35 U.S.C. 317(a) (emphasis added).

To date, the Office has not decided the merits of this proceeding. Petitioner filed its petition for *inter partes* review on June 20, 2013. The *inter partes* review was subsequently instituted, but Petitioner has yet to submit its reply brief in opposition to Patent Owner’s response. Nor has Petitioner yet responded to Patent Owner’s motion to amend the claims of U.S. Patent No. 7,107,612. The oral hearing is not scheduled to take place until August 19, 2014.

The parties have now settled their dispute, and have reached agreement to terminate this *inter partes* review. The Settlement Agreement is in writing, and a true copy shall be filed with the Office.

The Settlement Agreement finally resolves outstanding litigation between the parties involving the ’612 patent. There are no other parties to that litigation,

and no other pending litigation proceedings involving the '612 patent. Moreover, Petitioner does not intend to participate further in this *inter partes* review proceeding regardless of the outcome of this joint motion. That means Petitioner will file no reply to Juniper's Patent Owner Response and will file no opposition to Juniper's Motion to Amend Claims. Nor will Petitioner complete any cross examination of Juniper's expert witness Dr. Jim Jansen. Petitioner and Patent Owner understand that no estoppel under 35 U.S.C. § 315(e) shall attach to Petitioner pursuant to 35 U.S.C. § 317(a).

Accordingly, in light of the facts set forth above and the relatively early stage of this proceeding, the parties jointly request that the Office terminate this *inter partes* review in its entirety as to both Petitioner and Patent Owner. *See Oracle Corp. v. Clouding IP, LLC*, Case IPR2013-00073, Paper 21 (July 22, 2013) (terminating *inter partes* review proceeding at similar stage with respect to both petitioner and patent owner).

Dated: 2014

Respectfully submitted:

Matthew I. Kreeger
MORRISON & FOERSTER LLP
425 Market Street
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(415) 268-7000

Michael J. Schallop
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ATTORNEYS FOR PETITIONER

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ATTORNEYS FOR PATENT OWNER

EXHIBIT C-6 TO SETTLEMENT AGREEMENT
UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

Palo Alto Networks, Inc.
Petitioner

v.

Juniper Networks, Inc.
Patent Owner

Patent No. 7,734,752
Issue Date: June 8, 2010

Title: INTELLIGENT INTEGRATED NETWORK SECURITY DEVICE
FOR HIGH-AVAILABILITY APPLICATIONS

Inter Partes Review No. IPR2013-00466

**PALO ALTO NETWORKS, INC.'S AND JUNIPER NETWORKS, INC.'S
JOINT MOTION TO TERMINATE PROCEEDING
PURSUANT TO 35 U.S.C. § 317**

Pursuant to 35 U.S.C. § 317(a), Palo Alto Networks, Inc. (“Petitioner”) and Juniper Networks, Inc. (“Patent Owner”) jointly move for termination of *inter partes* review of U.S. Patent No. 7,734,752, Case No. IPR2013-00466, with the United States Patent and Trademark Office.

“An *inter partes* review instituted under this chapter **shall be terminated** with respect to any petitioner upon the joint request of the petitioner and the patent owner, **unless the Office has decided the merits of the proceeding** before the request for termination is filed.” 35 U.S.C. 317(a) (emphasis added).

To date, the Office has not decided the merits of this proceeding. Petitioner filed its petition for *inter partes* review on July 23, 2013. The *inter partes* review was subsequently instituted, but Petitioner has yet to submit its reply brief in opposition to Patent Owner’s response. The oral hearing is not scheduled to take place until September 23, 2014.

The parties have settled their dispute, and have reached agreement to terminate this *inter partes* review. The Settlement Agreement is in writing, and a true copy shall be filed with the Office.

The Settlement Agreement finally resolves outstanding litigation between the parties involving the ’752 patent. There are no other parties to that litigation, and no other pending litigation proceedings involving the ’752 patent. Moreover,

Petitioner does not intend to participate further in this *inter partes* review proceeding regardless of the outcome of this joint motion. That means Petitioner will file no reply to Juniper's Patent Owner Response. Nor will Petitioner complete any cross examination of Juniper's expert witness Dr. Kevin Almeroth.

Petitioner and Patent Owner understand that no estoppel under 35 U.S.C. § 315(e) shall attach to Petitioner pursuant to 35 U.S.C. § 317(a).

Accordingly, in light of the facts set forth above and the relatively early stage of this proceeding, the parties jointly request that the Office terminate this *inter partes* review in its entirety as to both Petitioner and Patent Owner. *See Oracle Corp. v. Clouding IP, LLC*, Case IPR2013-00073, Paper 21 (July 22, 2013) (terminating *inter partes* review proceeding at similar stage with respect to both petitioner and patent owner).

Dated: 2014

Respectfully submitted:

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ATTORNEYS FOR PATENT OWNER

EXHIBIT D

THIS WARRANT AND THE SHARES ISSUABLE HEREUNDER HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR ANY APPLICABLE STATE SECURITIES LAWS, AND, EXCEPT AND PURSUANT TO THE PROVISIONS OF ARTICLE 5 BELOW, MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED WITHOUT AN EFFECTIVE REGISTRATION THEREOF UNDER THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS, OR PURSUANT TO RULE 144 OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS.

WARRANT TO PURCHASE STOCK

Corporation:	PALO ALTO NETWORKS, INC., a Delaware corporation
Number of Shares:	463,177 shares
Class of Stock:	Common Stock
Warrant Price:	\$0.0001 per share
Issue Date:	May [—], 2014
Expiration Date:	December [—], 2014

THIS WARRANT TO PURCHASE STOCK (THIS "WARRANT") CERTIFIES THAT, for good and valuable consideration, the receipt of which is hereby acknowledged, Juniper Networks, Inc., a Delaware, or its assignee ("Holder"), is entitled to purchase the number of fully paid and nonassessable shares of the class of securities (the "Shares") of PALO ALTO NETWORKS, INC. (the "Company") at the Warrant Price, all as set forth above and as adjusted pursuant to the terms of this Warrant, subject to the provisions and upon the terms and conditions set forth in this Warrant.

ARTICLE 1 EXERCISE

1.1 Method of Exercise.

1.1.1 Holder may exercise this Warrant, in whole or in part at any time prior to the Expiration Date, by delivering this Warrant and a duly executed Notice of Exercise in substantially the form attached as Appendix I to the principal office of the Company (or such other appropriate location as Holder is so instructed by the Company).

1.1.2 Upon exercise of this Warrant, in whole or in part, Holder shall receive a number of Shares equal to the value of this Warrant (or of any portion of this Warrant being canceled) by surrender of this Warrant at the principal office of the Company (or such other office or agency as the Company may designate) together with a properly completed and executed Notice of Exercise reflecting such election, in which event the Company shall issue to Holder that number of Shares computed using the following formula:

$$X = \frac{Y(A - B)}{A}$$

Where:

X = The number of Shares to be issued to Holder

Y = The number of Shares being exercised under this Warrant or, if only a portion of the Warrant is being exercised, the portion of the Warrant being canceled (at the date of such calculation)

A = The fair market value of one Share (at the date of such calculation)

B = The Warrant Price per share (as adjusted to the date of such calculation)

1.2 Calculation of FMV. For purposes of the calculation above, the fair market value of one Share shall be the volume-weighted sales price per share rounded to four decimal places of the Common Stock on the New York Stock Exchange for the consecutive period of five (5) business days beginning at 9:30am New York time on the fifth (5th) business day immediately preceding the date of such calculation and concluding at 4:00 p.m. New York time on the first (1st) business day immediately preceding the date of such calculation, as calculated by Bloomberg Financial LP under the function “VWAP” for the Bloomberg security “PANW US Equity.”

1.3 Automatic Exercise. If the Holder has not elected to exercise this Warrant prior to the Expiration Date, then this Warrant shall automatically (without any act on the part of the Holder) be exercised pursuant to Section 1.1.2 effective immediately prior to the expiration of the Warrant to the extent such net issue exercise would result in the issuance of Shares, unless Holder shall earlier provide written notice to the Company that the Holder desires that this Warrant expire unexercised. If this Warrant is automatically exercised, the Company shall notify the Holder of the automatic exercise as soon as reasonably practicable, and the Holder shall surrender the Warrant to the Company in accordance with the terms hereof.

1.4 Delivery of Shares and New Warrant. Within two (2) business days after Holder exercises this Warrant, the Company shall deliver to Holder the Shares so acquired, provided that such Shares shall be deemed delivered upon the Company’s delivery of evidence of a book-entry or similar position through The Depository Trust & Closing Corporation or any other depository or similar functionary, credited to an account for the benefit of Holder. If this Warrant has not been fully exercised and has not expired, a new warrant representing the Shares not so acquired shall be issued to Holder.

1.5 Replacement of Warrant. In the case of loss, theft or destruction of this Warrant, upon delivery of an indemnity agreement reasonably satisfactory in form and amount to the Company or, in the case of mutilation, upon surrender and cancellation of this Warrant, the Company at its expense shall execute and deliver, in lieu of this Warrant, a new warrant of like tenor.

ARTICLE 2 ADJUSTMENTS TO THE SHARES AND NOTIFICATION OF CERTAIN EVENTS

2.1 Fractional Shares. No fractional Shares shall be issuable upon exercise of this Warrant and the Number of Shares to be issued shall be rounded down to the nearest whole Share. If a fractional share interest arises upon any exercise of this Warrant, the Company shall eliminate such fractional share interest by paying Holder an amount computed by multiplying the fractional interest by the fair market value, as determined by the Company’s Board of Directors, of a full Share.

2.2 Adjustments. Subject to the expiration of this Warrant pursuant to Section 5.1, the number and kind of shares purchasable hereunder and the Warrant Price therefor are subject to adjustment from time to time, as follows:

2.2.1 Merger or Reorganization. If at any time there shall be any reorganization, recapitalization, merger or consolidation (a “Reorganization”) involving the Company (other than as otherwise provided for herein) in which shares of the Company’s stock are converted into or exchanged for securities, cash or other property, then, as a part of such Reorganization, lawful provision shall be made so that the Holder shall thereafter be entitled to receive upon exercise of this Warrant, the kind and amount of securities, cash or other property of the successor corporation resulting from such Reorganization, equivalent in value to that which a holder of the Shares deliverable upon exercise of this Warrant would have been entitled in such Reorganization if the right to purchase the Shares hereunder had been exercised immediately prior to such Reorganization. In any such case, appropriate adjustment (as determined in good faith by the Board of Directors of the successor corporation) shall be made in the application of the provisions of this Warrant with respect to the rights and interests of the Holder after such Reorganization to the end that the provisions of this Warrant shall be applicable after the event, as near as reasonably may be, in relation to any shares or other securities deliverable after that event upon the exercise of this Warrant.

2.2.2 Reclassification of Shares. If the securities issuable upon exercise of this Warrant are changed into the same or a different number of securities of any other class or classes by reclassification, capital reorganization or otherwise (other than as otherwise provided for herein) (a "Reclassification"), then, in any such event, in lieu of the number of Shares which the Holder would otherwise have been entitled to receive, the Holder shall have the right thereafter to exercise this Warrant for a number of shares of such other class or classes of stock that a holder of the number of securities deliverable upon exercise of this Warrant immediately before that change would have been entitled to receive in such Reclassification, all subject to further adjustment as provided herein with respect to such other shares.

2.2.3 Subdivisions and Combinations. In the event that the outstanding shares of common stock are subdivided (by stock split, by payment of a stock dividend or otherwise) into a greater number of shares of such securities, the number of Shares issuable upon exercise of the rights under this Warrant immediately prior to such subdivision shall, concurrently with the effectiveness of such subdivision, be proportionately increased, and the Warrant Price shall be proportionately decreased, and in the event that the outstanding shares of common stock are combined (by reclassification or otherwise) into a lesser number of shares of such securities, the number of Shares issuable upon exercise of the rights under this Warrant immediately prior to such combination shall, concurrently with the effectiveness of such combination, be proportionately decreased, and the Warrant Price shall be proportionately increased.

2.2.4 Notice of Adjustments. Upon any adjustment in accordance with this Section 2.2, the Company shall give notice thereof to the Holder, which notice shall state the event giving rise to the adjustment, the Warrant Price as adjusted and the number of securities or other property purchasable upon the exercise of the rights under this Warrant, setting forth in reasonable detail the method of calculation of each. The Company shall, upon the written request of any Holder, furnish or cause to be furnished to such Holder a certificate setting forth (i) such adjustments, (ii) the Warrant Price at the time in effect and (iii) the number of securities and the amount, if any, of other property that at the time would be received upon exercise of this Warrant.

2.3 Notification of Certain Events. Prior to the Expiration Date, in the event that the Company shall authorize:

2.3.1 the issuance of any dividend or other distribution on the capital stock of the Company (other than (i) dividends or distributions otherwise provided for in Section 2.2.4, or (ii) any repurchases of common stock of the Company), whether in cash, property, stock or other securities; or

2.3.2 the voluntary liquidation, dissolution or winding up of the Company

the Company shall send to the Holder at least ten (10) days prior written notice of the date on which a record shall be taken for any such dividend or distribution specified in clause 2.3.1 or the expected effective date of any such other event specified in clause 2.3.2. The notice provisions set forth in this section may be shortened or waived prospectively or retrospectively by the consent of the Holder.

ARTICLE 3 REPRESENTATIONS AND COVENANTS OF THE COMPANY

3.1 Representations and Warranties. The Company hereby represents and warrants to Holder that all Shares which may be issued upon the exercise of the purchase right represented by this Warrant shall, upon issuance, be duly authorized, validly issued, fully paid and nonassessable, and free of any liens and encumbrances except for restrictions on transfer provided for herein or under applicable federal and state securities laws.

3.2 Reservation of Stock. The Company hereby represents and warrants to Holder that sufficient shares of the Company's Common Stock have been reserved and are available for issuance from its authorized and unissued shares of Common Stock for the purpose of effecting the exercise of this Warrant, and such shares will remain available at all times until the date this Warrant has been exercised in full or, if earlier, the Expiration Date.

ARTICLE 4
INVESTMENT REPRESENTATIONS AND COVENANTS OF HOLDER

With respect to the acquisition of this Warrant and any of the Shares, Holder hereby represents and warrants to, and agrees with, the Company as follows:

4.1 Purchase Entirely for Own Account. This Warrant is issued to Holder in reliance upon Holder's representation to the Company that this Warrant and the Shares will be acquired for investment for Holder's, or its affiliate's, own account, not as a nominee or agent, and not with a view to the resale or distribution of any part thereof other than to an affiliate, and that Holder has no present intention of selling, granting any participation in, or otherwise distributing the same other than to an affiliate. By executing this Warrant, Holder further represents that Holder does not have any contract, undertaking, agreement or arrangement with any person, other than an affiliate, to sell, transfer or grant participations to such person or to any third person with respect to any of the Shares.

4.2 Reliance upon Holder's Representations. Holder understands that this Warrant and the Shares are not registered under the Act on the ground that the issuance of such securities is exempt from registration under the Act, and that the Company's reliance on such exemption is predicated on Holder's representations set forth herein.

4.3 Accredited Investor Status. Holder represents to the Company that Holder is an Accredited Investor (as defined in the Act).

4.4 Restricted Securities. Holder understands that this Warrant and the Shares are "restricted securities" under the federal securities laws inasmuch as they are being acquired from the Company in a transaction not involving a public offering and that under such federal securities laws and applicable regulations such securities may be resold without registration under the Securities Act only in certain limited circumstances.

ARTICLE 5
MISCELLANEOUS

5.1 Term; Exercise Upon Expiration. This Warrant is exercisable in whole or in part, at any time and from time to time on or before the Expiration Date set forth above. The Company agrees that Holder may terminate this Warrant, upon notice to the Company, at any time in its sole discretion.

5.2 Legends. This Warrant and the Shares shall be imprinted with a legend in substantially the following form:

THIS WARRANT AND THE SHARES ISSUABLE HEREUNDER HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR ANY APPLICABLE STATE SECURITIES LAWS, AND, EXCEPT AND PURSUANT TO THE PROVISIONS OF ARTICLE 5 BELOW, MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED WITHOUT AN EFFECTIVE REGISTRATION THEREOF UNDER THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS, OR PURSUANT TO RULE 144 OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS.

5.3 Compliance with Securities Laws on Transfer. This Warrant and the Shares issuable upon exercise of this Warrant may not be transferred or assigned in whole or in part without (i) compliance with applicable federal and state securities laws by the transferor and the transferee, and (ii) if requested by Company, an opinion of counsel, reasonably satisfactory to Company, to the effect that such transfer or assignment is in compliance with applicable federal and state securities laws. The Company may issue stop transfer instructions to its transfer agent in connection with the restrictions in this Section 5.3.

5.4 Transfer Procedure. Subject to the provisions of Section 5.3 and the prior written consent of the Company, Holder may transfer all or part of this Warrant to its affiliates, and such affiliate shall then be entitled to all the rights and bound by all of the obligations of Holder under this Warrant and any related agreements, and the Company shall cooperate fully in ensuring that any stock issued upon exercise of this Warrant is issued in the name of the affiliate that exercises this Warrant. The terms and conditions of this Warrant shall inure to the benefit of, and be binding upon, the Company and the holder hereof and its respective permitted successors and assigns. Any transferee shall be bound by the obligations and restrictions of this Warrant as if the original holder hereof.

5.5 Notices. All notices and other communications from the Company to Holder, or vice versa, shall be deemed delivered and effective when given personally or mailed by first-class registered or certified mail, postage prepaid, or sent via a nationally recognized overnight courier service, fee prepaid, or on the first business day after transmission by facsimile, at such address or facsimile number as may have been furnished to the Company or Holder, as the case may be, in writing by the Company or such Holder from time to time. Effective upon the receipt of executed Warrant, all notices to Holder shall be addressed as follows until the Company receives notice of a change of address in connection with a transfer or otherwise:

Juniper Networks, Inc.
Attn: Mitchell Gaynor, Esq.
1194 North Mathilda Avenue
Sunnyvale, California 94089
Facsimile No. (408) 936-3286

All notices to the Company shall be addressed as follows:

Palo Alto Networks, Inc.
Attn: Jeff True, Esq.
4301 Great America Parkway
Santa Clara, CA 95054
Facsimile No. (408) 753-4001

5.6 Amendments; Waiver. This Warrant and any term hereof may be amended, changed, waived, discharged or terminated only by an instrument in writing signed by the party against which enforcement of such amendment, change, waiver, discharge or termination is sought.

5.7 Attorneys' Fees. In the event of any dispute between the parties concerning the terms and provisions of this Warrant, the party prevailing in such dispute shall be entitled to collect from the other party all costs incurred in such dispute, including reasonable attorneys' fees.

5.8 Governing Law. This Warrant shall be governed by and construed in accordance with the laws of the State of California, without giving effect to its principles regarding conflicts of law.

5.9 Public Disclosure. The Company shall file a copy of this Warrant with the U.S. Securities and Exchange Commission not later than four (4) business days after the issue date in order to comply with its obligations under federal securities laws.

5.10 Rights as a Stockholder. No holder of this Warrant, as such, shall be entitled to vote or receive dividends or be deemed the holder of Shares or any other securities of the Company which may at any time be issuable upon the exercise hereof for any purpose, nor shall anything contained herein be construed to confer upon Holder, as such, any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to receive notice of meetings, or to receive dividends or subscription rights or otherwise until this Warrant shall have been exercised as provided herein.

[signature on following page]

By: _____
Name: _____
Title: _____

[Signature Page to Warrant]

APPENDIX I

NOTICE OF EXERCISE

1. The undersigned hereby elects to purchase _____ shares of the Common Stock of Palo Alto Networks, Inc. pursuant to the terms of the attached Warrant. In the event that this Warrant is not fully exercised and has not expired, the Company will issue to Holder a new warrant representing the Shares not acquired.

2. Please issue said shares in the name of the undersigned or in such other name as is specified below:

Juniper Networks, Inc.
Attn: Mitchell Gaynor, Esq.
1194 North Mathilda Avenue
Sunnyvale, California 94089
Facsimile No. (408) 936-3286

3. The undersigned represents it is acquiring the shares solely for its own account and not as a nominee for any other party and not with a view toward the resale or distribution thereof except in compliance with applicable securities laws.

JUNIPER NETWORKS, INC. or
Assignee

(Signature)

(Name and Title)

(Date)

Palo Alto Networks Reports Fiscal Third Quarter 2014 Financial Results and Announces Settlement of Litigation with Juniper Networks

- *Fiscal third quarter total revenue grows 49 percent year-over-year to a record \$150.7 million*
- *Billings grow 46 percent year-over-year to a record \$193.9 million*
- *Product revenue grows 38 percent year-over-year to a record \$84.1 million; recurring subscription revenue grows 71 percent year-over-year to a record \$32.0 million*
- *Deferred revenue grows 68 percent year-over-year to a record \$367.9 million*

SANTA CLARA, Calif., May 28, 2014 – Palo Alto Networks, Inc. (NYSE: PANW) today announced financial results for its fiscal third quarter of 2014 ended April 30, 2014.

Total revenue for the fiscal third quarter grew 49 percent year-over-year to a record \$150.7 million, compared with \$101.3 million in the fiscal third quarter of 2013. GAAP net loss for the fiscal third quarter was \$139.1 million, or \$1.86 per diluted share, compared with a net loss of \$7.3 million, or \$0.10 per diluted share, in the fiscal third quarter of 2013.

Palo Alto Networks recorded fiscal third quarter non-GAAP net income of \$8.7 million, or \$0.11 per diluted share, compared with non-GAAP net income of \$5.3 million, or \$0.07 per diluted share, in the fiscal third quarter of 2013. A reconciliation between GAAP and non-GAAP information is contained in the tables below.

“We reported record revenue in our third quarter driven by strong customer demand for our next-generation enterprise security platform. We achieved the highest rate of new customer acquisition in our history and now serve more than 17,000 customers globally to address their security needs and prevent increasingly sophisticated and complex cyber attacks from compromising an organization’s critical assets,” said Mark McLaughlin, president and chief executive officer of Palo Alto Networks. “We also announced this afternoon that we have reached a settlement with Juniper Networks of all litigation matters between us; this allows us to further focus our resources and time on our customers and growing our business.”

“Year-over-year revenue growth of 49 percent was driven by our land, expand and retain model, as product, recurring subscription and support revenue all delivered substantial growth,” said Steffan Tomlinson, chief financial officer of Palo Alto Networks. “Additionally, we continue to demonstrate the power of our hybrid SaaS model as gross margin and operating margin improved sequentially, and we generated \$28.4 million of free cash flow in the quarter, bringing our fiscal year to date total to \$83.2 million.”

Recent Highlights

- **Reached a settlement with Juniper Networks**, the terms of which provide that both parties will dismiss all litigation; both parties will license the patents at issue in all outstanding suits to each other for the life of the patents; both parties will also enter into a covenant not to sue each other for patent infringement for eight years; and Palo Alto Networks will pay Juniper Networks a one-time settlement amount of approximately \$175 million, consisting of \$75 million in cash, approximately \$70 million in shares of common stock and a warrant to purchase approximately \$30 million of common stock.
- **Positioned in the “Leaders” quadrant of Gartner, Inc.’s April 2014 Magic Quadrant for Enterprise Network Firewalls**; this is the third consecutive year in which Palo Alto Networks has been recognized as a leader in the Magic Quadrant for Enterprise Firewall report.¹
- **Completed the acquisition of Cyvera Ltd.**, a privately held cybersecurity company located in Tel Aviv, Israel; with the addition of Cyvera’s unique endpoint protection capabilities to the company’s security platform, Palo Alto Networks can provide protection across the enterprise, extending prevention technology from the network to the endpoint.
- **Strengthened our strategic partnership with VMware** by announcing a new reseller agreement and general availability of an integrated offering for automating and accelerating security deployments in the software-defined data center.
- **Announced a global managed security services agreement with NTT Com Security (formerly Integralis)** under which NTT Com Security will provide its extensive implementation, integration, and managed security services around the Palo Alto Networks security platform.

¹ Gartner, “Magic Quadrant for Enterprise Network Firewalls”, Greg Young, Adam Hils, Jeremy D’Hoinne; April 15, 2014.

Conference Call Information

Palo Alto Networks will host a conference call for analysts and investors to discuss its fiscal third quarter of 2014 results and outlook for its fiscal fourth quarter of 2014 today at 4:30 PM Eastern time / 1:30 PM Pacific time. Open to the public, investors may access the call by dialing 1-877-280-4959 or 857-244-7316 and entering the passcode 37864312. A live audio webcast of the conference call along with supplemental financial information will also be accessible from the “Investors” section of the company’s website at investors.paloaltonetworks.com. Following the webcast, an archived version will be available on the website for one year. A telephonic replay of the call will be available two hours after the call and will run for five business days and may be accessed by dialing 1-888-286-8010 or 617-801-6888 and entering the passcode 58471222.

Forward-Looking Statements

This press release contains forward-looking statements that involve risks and uncertainties, including statements regarding the settlement of the company’s litigation with Juniper Networks and continued momentum in the company’s business. There are a significant number of factors that could cause actual results to differ materially from statements made in this press release, including: the need to receive formal dismissal of the litigation by the relevant courts in Delaware and California; Palo Alto Networks’ limited operating history; risks associated with Palo Alto Networks’ rapid growth, particularly outside of the U.S.; rapidly evolving technological developments in the market for network security products; and general market, political, economic and business conditions.

Additional risks and uncertainties that could affect Palo Alto Networks’ financial results are included under the captions “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” in the company’s quarterly report on Form 10-Q filed with the SEC on February 24, 2014, which is available on the company’s website at investors.paloaltonetworks.com and on the SEC’s website at www.sec.gov. Additional information will also be set forth in other filings that the company makes with the SEC from time to time. All forward-looking statements in this press release are based on information available to the company as of the date hereof, and Palo Alto Networks does not assume any obligation to update the forward-looking statements provided to reflect events that occur or circumstances that exist after the date on which they were made.

Non-GAAP Financial Measures

Palo Alto Networks has provided in this release financial information that has not been prepared in accordance with generally accepted accounting principles in the United States (GAAP). The company uses these non-GAAP financial measures internally in analyzing its financial results and believes that the use of these non-GAAP financial measures is useful to investors as an additional tool to evaluate ongoing operating results and trends and in comparing the company's financial results with other companies in its industry, many of which present similar non-GAAP financial measures.

Non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable GAAP financial measures, and should be read only in conjunction with the company's consolidated financial statements prepared in accordance with GAAP. A reconciliation of the company's non-GAAP financial measures to their most directly comparable GAAP measures has been provided in the financial statement tables included in this press release, and investors are encouraged to review the reconciliation.

Non-GAAP net income and diluted net income per share. Palo Alto Networks defines non-GAAP net income as net income (loss) plus share-based compensation expense, tax adjustments related to the valuation allowance on deferred tax assets, expenses related to IP litigation, legal settlement expenses, and acquisition related costs. Palo Alto Networks believes that excluding these items provides management and investors with greater visibility into the underlying performance of the company's core business operating results, meaning its operating performance excluding these items and, from time to time, other discrete charges that are infrequent in nature, over multiple periods. The company also excludes from non-GAAP net income and non-GAAP diluted net income per share the tax effects, including income tax and payroll tax, associated with these items in order to provide a complete picture of the company's recurring core business operating results. Without excluding these tax effects, investors would only see the gross effect that excluding these expenses had on the company's operating results.

Billings. Palo Alto Networks defines billings as total revenue plus the change in deferred revenue, net of acquired deferred revenue, during the period. The company's management monitors billings because billings drive deferred revenue, which is an important indicator of the health and visibility of the company's business. The company considers billings to be a useful metric for management and investors, particularly as sales of subscriptions increase and the company experiences strong renewal rates for subscriptions and support and maintenance.

Free Cash Flow. Palo Alto Networks defines free cash flow as cash provided by operating activities less purchases of property, equipment, and other assets. The company considers free cash flow to be a liquidity measure that provides useful information to management and investors about the amount of cash generated by the business that, after the purchases of property, equipment, and other assets, can be used for strategic opportunities, including investing in our business, making strategic acquisitions, and strengthening the balance sheet.

Investors are cautioned that there are a number of limitations associated with the use of non-GAAP financial measures as an analytical tool. In particular, many of the adjustments to the company's GAAP financial measures reflect the exclusion of items that are recurring and will be reflected in the company's financial results for the foreseeable future, such as share-based compensation. Share-based compensation is an important part of Palo Alto Networks employees' compensation and impacts their performance. In addition, the billings metric reported by the company includes amounts that have not yet been recognized as revenue. The components that Palo Alto Networks excludes in its calculation of non-GAAP financial measures may differ from the components that its peer companies exclude when they report their non-GAAP results of operations. Palo Alto Networks compensates for these limitations by providing specific information regarding the GAAP amounts excluded from these non-GAAP financial measures. In the future, the company may also exclude non-recurring expenses and other expenses that do not reflect the company's core business operating results.

ABOUT PALO ALTO NETWORKS

Palo Alto Networks is leading a new era in cybersecurity by protecting thousands of enterprise, government, and service provider networks from cyber threats. Unlike fragmented legacy products, our security platform safely enables business operations and delivers protection based on what matters most in today's dynamic computing environments: applications, users, and content. Find out more at www.paloaltonetworks.com.

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Palo Alto Networks, Inc.
Preliminary Condensed Consolidated Statements of Operations
(In thousands, except per share data)
(Unaudited)

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2014	2013	2014	2013
Revenue:				
Product	\$ 84,128	\$ 60,793	\$ 240,436	\$ 178,251
Services	66,572	40,496	179,512	105,471
Total revenue	150,700	101,289	419,948	283,722
Cost of revenue:				
Product	20,425	15,855	58,600	46,907
Services	19,285	11,835	52,421	32,591
Total cost of revenue	39,710	27,690	111,021	79,498
Total gross profit	110,990	73,599	308,927	204,224
Operating expenses:				
Research and development	27,837	16,048	71,983	44,855
Sales and marketing	83,995	51,733	228,095	140,136
General and administrative	23,718	12,268	57,576	30,971
Legal settlement [a]	113,700	—	133,700	—
Total operating expenses	249,250	80,049	491,354	215,962
Operating loss	(138,260)	(6,450)	(182,427)	(11,738)
Interest income	272	133	619	347
Other income (expense), net	145	(157)	11	(387)
Loss before income taxes	(137,843)	(6,474)	(181,797)	(11,778)
Provision for income taxes	1,272	808	5,125	1,632
Net loss	<u>\$(139,115)</u>	<u>\$ (7,282)</u>	<u>\$(186,922)</u>	<u>\$ (13,410)</u>
Net loss per share, basic and diluted	<u>\$ (1.86)</u>	<u>\$ (0.10)</u>	<u>\$ (2.56)</u>	<u>\$ (0.20)</u>
Weighted-average shares used to compute net loss per share, basic and diluted	<u>74,967</u>	<u>69,575</u>	<u>73,127</u>	<u>67,980</u>

[a] Represents legal settlement expenses, including expenses related to the Q3'14 legal settlement with Juniper.

Palo Alto Networks, Inc.
Reconciliation of GAAP to Non-GAAP Financial Measures
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	April 30,		April 30,	
	2014	2013	2014	2013
GAAP net loss	\$(139,115)	\$ (7,282)	\$(186,922)	\$ (13,410)
Share-based compensation expense	27,930	12,634	63,341	29,730
Share-based payroll tax expense	1,267	1,135	3,887	1,135
Acquisition related costs	3,681	—	7,480	—
Amortization expense of acquired intangible assets	614	—	679	—
Legal settlement expense [a]	113,700	—	133,700	—
Litigation expense [b]	4,732	1,256	9,274	2,295
Income tax related to the above	(4,079)	(2,486)	(8,769)	(7,054)
Non-GAAP net income	<u>\$ 8,730</u>	<u>\$ 5,257</u>	<u>\$ 22,670</u>	<u>\$ 12,696</u>
GAAP net loss per share, diluted	\$ (1.86)	\$ (0.10)	\$ (2.56)	\$ (0.20)
Share-based compensation expense	0.36	0.17	0.85	0.42
Share-based payroll tax expense	0.02	0.02	0.05	0.02
Acquisition related costs	0.05	—	0.10	—
Amortization expense of acquired intangible assets	0.01	—	0.01	—
Legal settlement expense [a]	1.52	—	1.83	—
Litigation expense [b]	0.06	0.02	0.13	0.02
Income tax related to the above	(0.05)	(0.04)	(0.12)	(0.10)
Non-GAAP net income per share, diluted	<u>\$ 0.11</u>	<u>\$ 0.07</u>	<u>\$ 0.29</u>	<u>\$ 0.16</u>
GAAP weighted-average shares used to compute net loss per share, diluted	74,967	69,575	73,127	67,980
Weighted-average effect of potentially dilutive securities	5,248	8,466	5,350	9,752
Non-GAAP weighted-average shares used to compute net income per share, diluted	<u>80,215</u>	<u>78,041</u>	<u>78,477</u>	<u>77,732</u>
Revenue	\$ 150,700	\$ 101,289	\$ 419,948	\$ 283,722
Change in deferred revenue, net of acquired deferred revenue	43,191	31,121	118,552	83,496
Billings	<u>\$ 193,891</u>	<u>\$ 132,410</u>	<u>\$ 538,500</u>	<u>\$ 367,218</u>
Cash flow provided by operating activities	\$ 34,279	\$ 15,206	\$ 114,556	\$ 72,789
Less: purchase of property, equipment, and other assets	5,896	6,359	31,379	16,595
Free cash flow	<u>\$ 28,383</u>	<u>\$ 8,847</u>	<u>\$ 83,177</u>	<u>\$ 56,194</u>

[a] Represents legal settlement expenses, including expenses related to the Q3'14 legal settlement with Juniper.

[b] Litigation expense represents legal expenses attributable to IP litigation, including our litigation with Juniper.

Palo Alto Networks, Inc.
Preliminary Condensed Consolidated Balance Sheets
(In thousands)
(Unaudited)

	<u>April 30, 2014</u>	<u>July 31, 2013</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 234,790	\$ 310,614
Short-term investments	133,180	109,007
Accounts receivable, net	114,789	87,461
Prepaid expenses and other current assets	33,686	22,617
Total current assets	516,445	529,699
Property and equipment, net	48,488	32,086
Long-term investments	103,902	17,314
Goodwill	155,086	—
Intangible assets, net	49,613	1,358
Other assets	6,853	5,149
Total assets	\$ 880,387	\$ 585,606
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 24,641	\$ 15,544
Accrued liabilities [a]	142,823	14,609
Accrued compensation	29,188	22,004
Deferred revenue	231,227	153,945
Total current liabilities	427,879	206,102
Deferred revenue – non-current	136,707	95,285
Other long-term liabilities	36,636	11,799
Stockholders' equity:		
Preferred stock	—	—
Common stock	7	7
Additional paid-in capital	575,293	381,703
Accumulated other comprehensive gain (loss)	61	(16)
Accumulated deficit	(296,196)	(109,274)
Total stockholders' equity	279,165	272,420
Total liabilities and stockholders' equity	\$ 880,387	\$ 585,606

[a] Includes an accrual for the Q3'14 legal settlement with Juniper.

Palo Alto Networks, Inc.
Preliminary Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Nine Months Ended April 30,	
	2014	2013
Cash flows from operating activities		
Net loss	\$ (186,922)	\$ (13,410)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	11,638	7,221
Amortization of investment premiums, net of accretion of purchase discounts	1,180	1,445
Share-based compensation for equity based awards	66,685	29,608
Excess tax benefit from share-based compensation	(758)	(177)
Changes in operating assets and liabilities:		
Accounts receivable, net	(27,220)	(45,847)
Prepaid expenses and other assets	(7,926)	(5,991)
Accounts payable	8,965	3,347
Accrued and other liabilities [a]	130,362	13,097
Deferred revenue	118,552	83,496
Net cash provided by operating activities	114,556	72,789
Cash flows from investing activities		
Purchase of property, equipment, and other assets	(31,379)	(16,595)
Purchase of investments	(316,911)	(310,683)
Proceeds from sales of investments	6,630	13,491
Proceeds from maturities of investments	198,080	117,150
Acquisition of business, net of cash acquired	(85,726)	—
Net cash used in investing activities	(229,306)	(196,637)
Cash flows from financing activities		
Excess tax benefit from share-based compensation	758	177
Proceeds from exercise of stock options	25,431	11,195
Proceeds from employee stock purchase plan	12,869	6,267
Repurchase of restricted common stock from employees	(132)	(71)
Payments of initial public offering costs	—	(2,698)
Net cash provided by financing activities	38,926	14,870
Net decrease in cash and cash equivalents	(75,824)	(108,978)
Cash and cash equivalents - beginning of period	310,614	322,642
Cash and cash equivalents - end of period	<u>\$ 234,790</u>	<u>\$ 213,664</u>

[a] Includes an accrual for the Q3'14 legal settlement with Juniper.