



CORAIID TEMPORARILY SUSPENDS ETHERDRIVE Z-SERIES STORAGE OFFERING

July 6, 2010

Coraid Customers,

I'm disappointed to announce that we are temporarily suspending availability of EtherDrive® Z-Series NAS appliances with ZFS. We made the decision to suspend shipment after receiving a legal threat letter from NetApp Inc., suggesting that the open source ZFS file system planned for inclusion with our EtherDrive Z-Series infringes NetApp patents. See below for a copy of the [NetApp letter](#).

NetApp tried to block ZFS-creator Sun Microsystems (recently acquired by Oracle) with patent lawsuits in 2007 and 2008 alleging the open source file system infringed NetApp's patents. Sun countersued and, to date, the courts have not ruled in favor of NetApp's infringement claims; in fact, NetApp and Oracle are now trying to resolve the dispute out of court. NetApp's expansion of legal threats to the open source community marks a significant escalation in their effort to block adoption of the ZFS file system, which has been downloaded more than one million times by end customers and vendors.

Coraid unveiled the Z-Series NAS solution on May 19th, bundling Coraid's breakthrough Ethernet SAN technology with the highly respected open-source ZFS file system, based on the leading distribution by our partner Nexenta. Starting at less than \$1000 per terabyte, Z-Series leverages Coraid's Ethernet SAN technology to offer numerous advanced features, performance of up to 900 MB/sec, and simplified integration with Ethernet SAN storage. Following the announcement, Z-Series received strong market recognition, including positive media coverage and analyst commentary, and dozens of customer inquiries.

The Z-Series NAS offering with ZFS will be suspended while we continue to track settlement talks. Fortunately, Coraid's core Ethernet SAN platform is unaffected by this issue, and we will continue with our mission of redefining storage economics across a wide variety of use cases. Coraid grew up in the Linux market, and we embrace an "Open-FS" strategy that supports customer choice across a wide range of virtualization and file systems on OS platforms including Linux, Solaris, Windows, and VMware ESX.

Please accept our deepest apologies for this disruption – we hope to reinstate our Z-Series offering in the coming months. If you have any questions, please feel free to contact your Coraid representative.

Sincerely,

Kevin Brown

CEO, CORAIID

WEIL, GOTSHAL & MANGES LLP

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May 26, 2010

BY REGISTERED MAIL

Kevin Brown
Chief Executive Officer
CORAIID Inc.
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Redwood City, CA 94065

Re: **Coraid Z-Series Products**

Dear Mr. Brown:

I write on behalf of NetApp to express our serious concern about the infringement of NetApp's intellectual property by the newly-introduced Coraid Z-Series products that are based on ZFS.

Coraid touts that its Z-Series products are based on ZFS and provide a "unified" storage solution. As you must know, NetApp maintains that ZFS-based products infringe over a dozen of its patents in Federal District Court in the Northern District Of California in suits with Sun Microsystems (Case Nos. 3:07-cv-06053-EDL, 3:07-cv-05488-EDL, 3:08-cv-01641-EDL), the originator of ZFS. NetApp patents in this litigation cover a host of features, including unified storage, among others.

Coraid must cease infringement of NetApp's patents and we reserve our rights to seek all appropriate remedies for any infringement. Please advise us as to what course of action you plan to take so we can respond accordingly.

Best Regards,



Edward R. Reines

cc: Andy Kryder, Esq.
Gary Ross, Esq.