SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)

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

FOR THE QUARTERLY PERIOD ENDED JANUARY 26, 2001

OR

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

FOR THE TRANSITION PERIOD FROM ____________ TO ____________ .

COMMISSION FILE NUMBER 0-27130

NETWORK APPLIANCE, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

CALIFORNIA	77-0307520
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(IRS EMPLOYER IDENTIFICATION NO.)

495 EAST JAVA DRIVE,
SUNNYVALE, CALIFORNIA 94089
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES, INCLUDING ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (408) 822-6000

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

Number of shares outstanding of the registrant's class of common stock, as of the latest practicable date.

CLASS	OUTSTANDING AT JANUARY 26, 2001
Common Stock............	325,541,431

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PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NETWORK APPLIANCE, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

	JANUARY 26, 2001	APRIL 30, 2000
	(UNAUDITED)	**
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 214,384	$ 279,014
Short-term investments	122,377	74,477
Accounts receivable, net	222,555	108,902
Inventories	37,117	20,434
Prepaid expenses and other assets	22,842	27,958
Deferred income taxes	30,798	22,215
Total current assets	650,073	533,000
RESTRICTED CASH	192,052	--
PROPERTY AND EQUIPMENT, NET	96,351	47,949
INTANGIBLE ASSETS, NET	84,736	389
OTHER ASSETS	15,656	10,895
	$ 1,038,868	$ 592,233
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 80,725	$ 34,061
Accrued compensation and related benefits	58,189	34,902
Other accrued liabilities	41,620	21,288
Deferred revenue	62,944	23,182
Total current liabilities	243,478	113,433
LONG-TERM DEFERRED INCOME TAXES	6,074	--
LONG-TERM OBLIGATIONS	49	54
	249,601	113,487
SHAREHOLDERS' EQUITY:		
Common stock	598,912	352,693
Deferred stock compensation	(13,289)	(1,174)
Retained earnings	204,153	129,746
Cumulative other comprehensive loss	(509)	(2,519)
Total shareholders' equity	789,267	478,746
	$ 1,038,868	$ 592,233

** Derived from audited consolidated financial statements.

See accompanying notes to condensed consolidated financial statements.

NETWORK APPLIANCE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	JANUARY 26, 2001	JANUARY 28, 2000	JANUARY 26, 2001	JANUARY 28, 2000
NET SALES	$ 288,409	$ 151,290	$ 780,345	$ 379,281
COST OF SALES	113,763	61,415	302,534	155,471
Gross Margin	174,646	89,875	477,811	223,810
OPERATING EXPENSES:				
Sales and marketing	76,510	40,042	212,564	99,192
Research and development	34,966	16,361	86,807	40,956
General and administrative	10,922	5,352	29,950	13,436
Amortization of intangible assets	4,567	50	6,506	150
In-process research and development	--	--	26,688	--
Stock compensation(1)	1,140	283	2,012	773
Total operating expenses	128,105	62,088	364,527	154,507
INCOME FROM OPERATIONS	46,541	27,787	113,284	69,303
OTHER INCOME (EXPENSE):				
Interest income	6,559	2,860	16,132	7,503
Other income (expense), net	625	49	943	(350)
Total other income, net	7,184	2,909	17,075	7,153
INCOME BEFORE INCOME TAXES	53,725	30,696	130,359	76,456
PROVISION FOR INCOME TAXES	19,654	10,897	55,952	27,142
NET INCOME	$ 34,071	$ 19,799	$ 74,407	$ 49,314
NET INCOME PER SHARE(2):				
Basic	$ 0.11	$ 0.07	$ 0.23	$ 0.17
Diluted	$ 0.09	$ 0.06	$ 0.21	$ 0.14
SHARES USED IN PER SHARE CALCULATIONS(2):				
Basic	322,727	300,922	318,161	296,588
Diluted	361,599	350,336	361,804	340,632
(1) Amortization of deferred stock compensation				
Sales and marketing	$ 309	$ 152	$ 759	$ 434
Research and development	716	63	937	150
General and administrative	115	68	316	189
	$ 1,140	$ 283	$ 2,012	$ 773

(2) Share and per share amounts have been adjusted to reflect the two-for-one stock splits which were effective December 20, 1999 and March 22, 2000.

See accompanying notes to condensed consolidated financial statements.

NETWORK APPLIANCE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

(UNAUDITED)

	NINE MONTHS ENDED	
	JANUARY 26, 2001	JANUARY 28, 2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 74,407	$ 49,314
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	21,917	9,809
In-process research and development	26,688	--
Amortization of intangibles	6,506	150
Stock compensation	2,012	773
Provision for doubtful accounts	852	996
Deferred income taxes	(8,918)	(17,037)
Deferred rent	(5)	(38)
Changes in assets and liabilities net of effects of businesses acquired:		
Accounts receivable	(114,316)	(43,667)
Inventories	(25,336)	(9,623)
Prepaid expenses and other assets	7,558	(3,379)
Accounts payable	46,604	6,865
Income taxes payable	64,869	41,287
Accrued compensation and related benefits	23,138	9,139
Other accrued liabilities	13,767	1,136
Deferred revenue	39,604	6,991
Net cash provided by operating activities	179,347	52,716
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of short-term investments	(149,674)	(62,636)
Redemptions of short-term investments	102,420	9,650
Purchases of property and equipment	(59,941)	(22,472)
Purchase of equity securities	(6,391)	--
Purchase of businesses, net of cash acquired	(7,171)	--
Payment/refund of deposits, net	--	(170)
Net cash used in investing activities	(120,757)	(75,628)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from sale of common stock, net	68,832	33,044
Restricted cash	(192,052)	--
Net cash provided by/(used in) financing activities	(123,220)	33,044
NET CHANGE IN CASH AND CASH EQUIVALENTS	(64,630)	10,132
CASH AND CASH EQUIVALENTS:		
Beginning of period	279,014	221,284
End of period	$ 214,384	$ 231,416
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Income tax benefit from employee stock transactions	$ 62,000	$ 38,200
Common stock issued and options assumed for acquired businesses	$ 101,260	$ --
SUPPLEMENTAL CASH FLOW INFORMATION:		
Income taxes paid	$ 307	$ 1,517

See accompanying notes to condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The accompanying condensed consolidated financial statements have been prepared by Network Appliance, Inc. without audit and reflect all adjustments, which are, in the opinion of management, necessary for a fair presentation of our financial position, results of operations and cash flows for the interim periods presented. The statements have been prepared in accordance with the regulations of the Securities and Exchange Commission (SEC) for interim financial statements. Accordingly, they do not include all information and footnotes required by accounting principles generally accepted in the United States of America for annual financial statements. The results of operations for the three and nine-month periods ended January 26, 2001 are not necessarily indicative of the operating results to be expected for the full fiscal year or future operating periods. The information included in this report should be read in conjunction with the audited consolidated financial statements and notes thereto for the fiscal year ended April 30, 2000 and the risk factors as set forth in our Annual Report on Form 10-K, including, without limitation, risks relating to fluctuating operating results, customer and market acceptance of new products, dependence on new products, rapid technological change, litigation, dependence on growth in the network file server market, expansion of international operations, product concentration, changing product mix, competition, management of expanding operations, dependence on high-quality components, dependence on proprietary technology, intellectual property rights, dependence on key personnel, volatility of stock price, shares eligible for future sale, effect of certain anti-takeover provisions and dilution.

2. RECLASSIFICATIONS

Certain reclassifications have been made to prior-period balances, none of which affected our financial position, results of operations and cash flows, to present the financial statements on a consistent basis.

3. FISCAL PERIODS

We operate on a 52-week or 53-week year ending on the last Friday in April. Fiscal 2001 is a 52-week year. Fiscal 2000 was a 52-week year. The quarter ended January 26, 2001 includes 13 weeks of operating activity, compared to 13 weeks of activity for the corresponding period of the prior fiscal year. The nine-months ended January 26, 2001 includes 39 weeks of activity, compared to 39 weeks of activity for the corresponding period of the prior fiscal year.

NETWORK APPLIANCE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

4. INVENTORIES

Inventories consist of the following:

	JANUARY 26, 2001	APRIL 30, 2000
	(IN THOUSANDS)	
Purchased components	$23,230	$ 9,230
Work in process	2,537	646
Finished goods	11,350	10,558
	$37,117	$20,434

5. STOCK COMPENSATION

We record stock compensation in accordance with provisions of APB No. 25, "Accounting for Stock Issued to Employees," for employee awards and in accordance with the disclosure provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," for non-employee awards. Accordingly, we recognize the intrinsic value for employees and the fair value for non-employees as stock compensation expense over the vesting terms of the awards.

6. NEW ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," which defines derivatives, requires that all derivatives be carried at fair value, and provides for hedge accounting when certain conditions are met. This statement is effective for all fiscal quarters of fiscal years beginning after June 15, 2000. Although we have not fully assessed the implications of this new statement, we do not believe adoption of this statement will have a material impact on our consolidated financial position, results of operations or cash flows.

NETWORK APPLIANCE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

7. NET INCOME PER SHARE

The following is a reconciliation of the numerators and denominators of the basic and diluted net income per share computations for the periods presented:

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	JANUARY 26, 2001	JANUARY 28, 2000	JANUARY 26, 2001	JANUARY 28, 2000
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)				
NET INCOME (NUMERATOR):				
Net income, basic and diluted	$ 34,071	$ 19,799	$ 74,407	$ 49,314
SHARES (DENOMINATOR):				
Weighted average common shares outstanding	322,998	301,072	318,423	296,790
Weighted average common shares outstanding subject to repurchase	(271)	(150)	(262)	(202)
Shares used in basic computation	322,727	300,922	318,161	296,588
Weighted average common shares outstanding subject to repurchase	271	150	262	202
Common shares issuable upon exercise of stock options	38,601	49,264	43,381	43,842
Shares used in diluted computation	361,599	350,336	361,804	340,632
NET INCOME PER SHARE:				
Basic	$ 0.11	$ 0.07	$ 0.23	$ 0.17
Diluted	$ 0.09	$ 0.06	$ 0.21	$ 0.14

At January 26, 2001 and January 28, 2000, 3,917 and 500 shares of common stock options with a weighted average exercise price of $97.34 and $41.63, respectively, were excluded from the diluted net income per share computation as their exercise prices were greater than the average market price of the common shares for the period.

8. COMPREHENSIVE INCOME

The components of comprehensive income, net of tax, are as follows:

(IN THOUSANDS)	THREE MONTHS ENDED JANUARY 26, 2001	THREE MONTHS ENDED JANUARY 28, 2000	NINE MONTHS ENDED JANUARY 26, 2001	NINE MONTHS ENDED JANUARY 28, 2000
Net income	$ 34,071	$ 19,799	$ 74,407	$ 49,314
Foreign currency translation adjustment	2,057	(1,050)	658	(976)
Unrealized gain (loss) on investments	(3,448)	--	1,352	--
Comprehensive income	$ 32,680	$ 18,749	$ 76,417	$ 48,338

9. COMMITMENTS

During the second quarter of fiscal 2001, we entered into a $126.0 million operating lease which replaced the existing $62.0 million operating lease, to develop 363,500 square feet of buildings in our Sunnyvale headquarters facility. The lease is for five years and can be renewed for two five-year periods, subject to the approval of a third-party entity. At the expiration or termination of the lease, we have the option to either purchase the property for $126.0 million, or arrange for the sale of the property to a third party for at least $126.0 with a contingent liability for any deficiency. If the property is not purchased or sold as described above, we will be obligated for an additional lease payment of approximately $113.8 million.

Including the aforementioned lease, we have commitments related to operating lease arrangements, under which we have an option to purchase the Sunnyvale headquarters properties for an aggregate of $309.0 million, or arrange for the sale of the properties to a third party for at least the option price with a contingent liability for any deficiency. If the properties under these leases are not purchased or sold, we will be obligated for additional lease payments of approximately $276.6 million. Restricted cash, classified as non-current assets collateralizing these leases, was $192.1 million at January 26, 2001.

The lease payments under operating leases collateralized by restricted cash, will vary based on the London Interbank Offered Rate (LIBOR) plus a spread (6.0% at January 26, 2001). The remaining non-collateralized operating lease requires monthly payments, which vary, based on LIBOR plus a spread (7.2% at January 26, 2001).

The operating leases mentioned above require us to maintain specified financial covenants with which we were in compliance as of January 26, 2001.

10. ACQUISITIONS

In June 2000, we completed the acquisition of Orca Systems, Inc. (Orca), a developer of high performance Virtual Interface (VI) Architecture software for UNIX(R) and Windows NT(R) enterprise-class systems, based in Waltham, Massachusetts. The acquisition fits with our strategy of developing highly available and reliable intelligent storage solutions that improve the performance of today's Internet and enterprise applications and strengthen our ability to develop next generation storage networking architectures and protocols. The acquisition was accounted for as a purchase. Under terms of the agreement, we acquired Orca for $50.0 million in common stock, assumed options and cash, with an obligation to provide 264,497 shares of common stock (valued at $14.9 million based on our closing stock price on January 26, 2001), which will result in additional stock compensation charges if certain performance criteria are achieved. We also paid certain transaction costs and assumed certain operating assets and liabilities.

The purchase price of the transaction was allocated to the acquired assets and liabilities based on their estimated fair values as of the date of the acquisition. Approximately $26.7 million was allocated to in-process research and development and charged to operations because the acquired technology had not reached technological feasibility and had no alternative uses. The value was determined by estimating the costs to develop the acquired in-process technology into commercially viable products, estimating the resulting net cash flows from such projects, and discounting the net cash flows back to their present value. The discount rate included a factor that took into account the uncertainty surrounding the successful development of the acquired in-process technology. These estimates are subject to change, given the uncertainties of the development process, and no assurance can be given that deviations from these estimates will not occur. Excluding the charge that may result from 264,497 contingently issuable common shares, research and development costs to bring the products from Orca to technological feasibility are not expected to have a material impact on our future results of operations or financial condition. Costs incurred prior to establishment of technological feasibility are charged to research and development expense and have not been material through January 26, 2001. We expect to successfully complete such development efforts and deliver initial products in calendar year 2001.

In November 2000, we completed the acquisition of WebManage Technologies, Inc. (WebManage), a developer of content management, distribution, and analysis software solutions, based in Chelmsford, Massachusetts. The acquisition is expected to contribute significantly to our initiative to integrate filers and caching more closely to enable customers to build content delivery networks that improve access to information throughout their networks. WebManage develops software that intelligently distributes content between various points on the Internet and enables organizations to plan, manage and deliver Internet/intranet services. We will be making some modifications and enhancements to WebManage's software and expect to complete such development efforts by mid or end of calendar year 2001. The acquisition was accounted for as a purchase. Under terms of the agreement, we acquired WebManage for $59.4 million in common stock, assumed options and cash. We also had an obligation to provide shares of common stock to be valued at $3.0 million, if certain performance criteria were achieved. The performance criteria were met in March 2001 and as such, the contingent consideration will be recorded as stock compensation in the fourth quarter of 2001. We also paid certain transaction costs and assumed certain operating assets and liabilities.

The total purchase prices and final allocation among the fair value of tangible and intangible assets and liabilities acquired (including purchased in-process technology) are summarized as follows (in thousands):

Total Purchase Price:	Orca	WebManage	Amortization Period (Years)
Total cash consideration	$ 2,000	$ 4,970	
Value of shares issued	23,526	41,909	
Value of options assumed	24,053	24,053	
Deferred stock compensation	--	(12,304)	
Transaction costs	458	743	
	$ 50,037	$ 59,371	
Purchase Price Allocation:			
Tangible assets	$ 353	$ 868	
Intangible assets:			
Existing Technology	--	17,179	3
Existing Workforce	423	1,380	3
Goodwill	24,101	48,085	5
In-process R&D	26,688	--	Expensed
Tangible liabilities	(1,359)	(1,276)	
Deferred income taxes	(169)	(6,865)	
	$ 50,037	$ 59,371	

In accordance with FASB interpretation No. 44, "Accounting for Certain Transactions involving Stock Compensation", we recorded the intrinsic value, measured as the difference between the grant price and fair market value on the acquisition consummation date, of unvested options assumed in the WebManage acquisition as deferred stock compensation. Such deferred stock compensation, which aggregated $12.3 million, is recorded as a separate component of shareholders' equity in the accompanying condensed consolidated balance sheet and will be amortized over the vesting term of the related options.

The operating results of Orca and WebManage have been included in the condensed consolidated statements of operations since their acquisition dates. The following pro forma consolidated amounts give

effect to these acquisitions as if they had occurred on April 30, 1999 by consolidating the results of operations of the acquired entities with our results for the nine months ended January 26, 2001 and January 28, 2000.

	NINE MONTHS ENDED	
	JANUARY 26, 2001	JANUARY 28, 2000
(IN THOUSANDS)		
Revenues	$780,897	$380,448
Net Income	$ 87,816	$ 33,060
Net Income per share:		
Basic	$ 0.28	$ 0.11
Diluted	$ 0.24	$ 0.10
Shares used in per share calculation:		
Basic	318,531	297,506
Diluted	362,375	342,069

The pro forma results of operations give effect to certain adjustments, including amortization of purchased intangibles, goodwill, contingently issuable shares, common stock and assumed options in connection with the acquisitions. The $26.7 million charge for purchased in-process research and development has been excluded from the pro forma results, as it is a material non-recurring charge.

This Form 10-Q contains forward-looking statements about future results, which are subject to risks and uncertainties, including those discussed below. Our actual results may differ significantly from the results discussed in the forward-looking statements. We are subject to a variety of other additional risk factors, more fully described in our Annual Report on Form 10-K filed with the Securities and Exchange Commission.

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

RESULTS OF OPERATIONS

The following table sets forth certain consolidated statements of income data as a percentage of net sales for the periods indicated:

	THREE MONTHS ENDED	NINE MONTHS ENDED

	JANUARY 26, 2001	JANUARY 28, 2000	JANUARY 26, 2001	JANUARY 28, 2000
Net sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of sales	39.4	40.6	38.8	41.0
Gross margin	60.6	59.4	61.2	59.0
Operating expenses:				
Sales and marketing	26.5	26.4	27.3	26.2
Research and development	12.1	10.8	11.1	10.8
General and administrative	3.8	3.6	3.8	3.5
Amortization of intangible assets	1.7	--	0.8	--
In-process research and development	--	--	3.4	--
Stock compensation	0.4	0.2	0.3	0.2
Total operating expenses	44.5	41.0	46.7	40.7
Income from operations	16.1	18.4	14.5	18.3
Total other income, net	2.5	1.9	2.2	1.9
Income before income taxes	18.6	20.3	16.7	20.2
Provision for income taxes	6.8	7.2	7.2	7.2
Net income	11.8 %	13.1 %	9.5 %	13.0 %

Business Combinations -- During the first quarter of fiscal 2001, we acquired Orca, for a purchase price of $50.0 million, including common stock, assumed options and cash, with an obligation to provide 264,497 shares of common stock, which will result in additional stock compensation charges if certain performance criteria are achieved. We also paid certain transaction costs and assumed certain operating assets and liabilities. The acquisition was accounted for as a purchase. The purchase price of the transaction was allocated to the acquired assets and liabilities based on their estimated fair values as of the date of the acquisition. Amounts allocated to existing workforce and goodwill are being amortized on a straight-line basis over three- and five-year periods, respectively. Approximately $26.7 million was allocated to in-process research and development and charged to operations because the acquired technology had not reached technological feasibility and had no alternative uses.

During the third quarter of fiscal 2001, we acquired WebManage for $59.4 million in common stock, assumed options and cash, with an obligation to provide shares of common stock to be valued at $3.0 million, if certain performance criteria are achieved. The performance criteria were met in March 2001 and as such, the contingent consideration will be recorded as stock compensation in the fourth quarter of 2001. We also paid certain transaction costs and assumed certain operating assets and liabilities. The acquisition was accounted for as a purchase. The purchase price of the transaction was allocated to the acquired assets and liabilities based on their estimated fair values as of the date of the acquisition. Amounts allocated to

existing technology and workforce are being amortized on a straight-line basis over three years and amounts allocated to goodwill are being amortized over five years.

Net Sales -- Net sales increased by 90.6% to $288.4 million for the three-month period ended January 26, 2001, from $151.3 million for the three-month period ended January 28, 2000. Net sales increased by 105.7% to $780.3 million for the nine-months ended January 26, 2001, from $379.3 million for the nine-months ended January 28, 2000. Net sales growth was across all geographies, products and markets. This increase in net sales was primarily attributable to a higher volume of units shipped, as compared to the corresponding period of the prior fiscal year. Factors impacting unit growth include:

- strong demand for our F700 filers utilizing primarily fibre-channel connectivity;

- introduction of our new higher capacity F840 filer product;

- increased worldwide demand for our NetCache(TM) solutions, a content delivery network solution, including capabilities for providing video-on-demand and content management across the Internet and Intranet;

- increased worldwide shipment of NetApp(R) Cluster Failover solutions, which require another filer to take over in the event of a hardware failure;

- increased demand for the SnapMirror(TM) software option, which requires multiple filers to provide remote mirroring of data for quick disaster recovery and backup at remote sites;

- expansion of our sales organization to 870 as of January 26, 2001 from 459 as of January 28, 2000; and

- increased sales through indirect channels, including sales through our OEM partners, representing 24.5% and 26.1% of total net sales for the three and nine-month periods ended January 26, 2001, respectively, as compared to 27.8% and 30.0% of total net sales for three and nine-month periods ended January 28, 2000, respectively.

Net sales growth was also positively impacted by:

- a higher average selling price due to the introduction of software features: SnapMirror, SnapRestore(TM) and SnapManager(TM) for Microsoft(R) Exchange and Cluster Failover, supporting mission-critical applications;

- a higher average selling price of our new high-end F840 filer;

- the increase in storage capacity;

- increased add-on software revenue from Multi-Protocol solutions; and

- higher software subscription and service revenues to support a growing installed base.

Overall net sales growth was partially offset by:

- declining average selling price of the F700 filers and caching products due to competitive pricing; and

- declining unit sales of our older product family.

International net sales (including United States exports) grew by 136.1% and 144.8% for the three and nine-month periods ended January 26, 2001, respectively, as compared to the comparable periods of the prior fiscal year. International net sales were $110.7 million, or 38.4% of total net sales, and $268.2 million, or 34.4% of total net sales, for the three and nine-month periods ended January 26, 2001, respectively. The increase in international sales for the three and nine-month periods ended January 26, 2001, was primarily a result of European and Asia Pacific net sales growth, due to increased headcount in the direct sales force, increased indirect channel sales, increased shipments of filers, Cluster Failover solutions, NetCache appliances and increased sales of add-on software licenses, as compared to the corresponding periods of the prior fiscal year. We believe that our continued growth and profitability is dependent in part on the successful expansion of our international operations, and therefore, have committed significant resources to increase international sales.

We cannot assure you that our net sales will continue to increase in absolute dollars or at the rate at which they have grown in recent fiscal periods.

Gross Margin -- Gross margin increased to 60.6% for the three-month period ended January 26, 2001 from 59.4% for the three-month period ended January 28, 2000. Gross margin increased to 61.2% for the nine-month period ended January 26, 2001 from 59.0% for the nine-month period ended January 28, 2000.

Gross margin was favorably impacted by:

- increased licensing of add-on software options such as Multi-Protocol, Cluster Failover, SnapMirror, SnapRestore and SnapManager;

- growth in software subscriptions due primarily to a larger installed base;

- lower costs of key components;

- the increase in product volume;

- increased manufacturing efficiencies; and

- a mix shift to high-end F840 systems sold as diskless upgrades, carrying higher margin than configured systems.

Gross margin was negatively impacted by sales price reductions on storage products due to competitive pricing pressure, higher disk content with an expanded storage capacity for the F840 filer, and increased investments in customer service.

Our gross margin has been and may continue to be affected by a variety of factors, including:

- competition;

- product configuration;

- direct versus indirect sales;

- the mix of software as a percentage of revenue;

- the mix and average selling prices of products;

- new product introductions and enhancements; and

- the cost of components, manufacturing labor and quality.

Sales and Marketing -- Sales and marketing expenses consist primarily of salaries, commissions, advertising and promotional expenses and certain customer service and support costs. Sales and marketing expenses increased 91.1% to $76.5 million for the three-month period ended January 26, 2001 from $40.0 million for the three-month period ended January 28, 2000. Sales and marketing expenses increased 114.3% to $212.6 million for the nine-month period ended January 26, 2001 from $99.2 million for the nine-month period ended January 28, 2000. These expenses were 26.5% and 26.4% of net sales for the three-month period ended January 26, 2001 and January 28, 2000, respectively, and were 27.3% and 26.2%, respectively, of net sales for the nine-months then ended, respectively. The increase in absolute dollars was primarily related to the continued worldwide expansion of our sales and customer service organizations, expansion of various marketing and industry initiatives and increased commission expenses. Sales and marketing headcount increased to 1,157 at January 26, 2001 from 627 at January 28, 2000. We expect to continue to increase our sales and marketing expenses in an effort to expand domestic and international markets, introduce new products, establish and expand new distribution channels and increase product and company awareness.

Research and Development -- Research and development expenses consist primarily of salaries and benefits, prototype expenses, non-recurring engineering charges and fees paid to outside consultants. Research and development expenses increased 113.7% to $35.0 million for the three-month period ended January 26, 2001 from $16.4 million for the three-month period ended January 28, 2000. These expenses represented 12.1% and 10.8% of net sales, for the three-month periods ended January 26, 2001 and January 28, 2000, respectively. For the nine-month periods, research and development expenses increased 112.0% to $86.8 million in fiscal 2001 from $41.0 million in fiscal 2000, and represented 11.1% and 10.8% of net sales, respectively, for those periods. Research and development expenses increased in absolute dollars, primarily as a result of increased headcount, operating impact of Orca and WebManage acquisitions, ongoing support of current and future product development and enhancement efforts, prototyping expenses and non-recurring engineering charges associated with the development of new products and technologies. Research and development headcount increased to 568 at January 26, 2001 from 280 at January 28, 2000.

In the third quarter of fiscal 2001, we began shipping the F85, F820 and C3100, our new entry-level and midrange storage systems and our new mid-range content delivery platform. The F85 is designed to be a complete storage networking edge solution for remote or branch offices, workgroups, and small departments within an enterprise, as well as for medium-sized businesses. The F820 filers, which can scale up to 3 terabytes of raw storage capacity, and 6 terabytes in a cluster failover F820c configuration, offers a powerful storage solution for enterprises to extend their infrastructure. The F820 and F820c are mid-range platforms that will enable Internet Service Providers (ISPs), Application Service Providers (ASPs) and Storage Service Providers (SSPs) to build scalable, storage networks on a worldwide basis. The NetCache C3100, a new mid-range platform designed for content delivery in the enterprise data center or ISP points of presence, enables applications such as distance learning, internal communications, and training across the network. Taken together, the F85, F820 and C3100 are important additions to our center to edge data management strategy for today's enterprises. We announced the latest version of our micro-kernel operating system, Data ONTAP 6.1, which now offers native Windows 2000 support in addition to continued Windows NT(R), UNIX(R), and Web support. This new release also provides enhanced data availability, data protection, and support for full-fabric Fibre Channel tape storage area networks. We also announced the availability of ContentReporter(TM) 2.1, an upgraded version of our existing software that now offers support for streaming media to meet the growing demands for rich media content management in the enterprise.

In the second quarter of fiscal 2001, we began shipping the F840 high-end filer platform and Data ONTAP(TM) 6.0. The new products allow the company to offer increased capacity in a single filer, up to 6 terabytes and 12 terabytes in a cluster failover F840c, configuration. Additionally, we enhanced our NetCache solution to allow enterprises and service providers the ability to efficiently manage, store, and deliver rich content across the network. The new NetCache high-performance content delivery platforms are comprised of two new content delivery appliances and software. The C6100 is the high-end content delivery appliance for back-end enterprise or content delivery network deployment and the low-profile C1105 is designed for remote offices around the globe, both of which support the new NetCache 5.0 software. The NetCache platform with NetCache 5.0 software offers live and video-on-demand capability. We also announced two new content management software offerings from the recent WebManage acquisition, ContentReporter(TM) and ContentDirector(TM), delivering an integrated solution for powerful tracking, analysis and content distribution across the network. In the first quarter of fiscal 2001, we began shipping the NetCache C1100, our low-end content delivery product designed for enterprise customers and Internet Service Providers.

In fiscal 2000, we began shipping new enterprise software offerings and data management tools with SnapManager for Microsoft Exchange and ApplianceWatch(TM). We also introduced new caching products which included NetCache software release 4.0 and NetCache 4.1, adding streaming media support for MMS/RTSP protocols, Microsoft(R) Windows Media(TM), and Apple(R) Quicktime(TM), delivering live broadcasting on the Internet.

We believe that our future performance will depend in large part on our ability to maintain and enhance our current product line, develop new products that achieve market acceptance, maintain technological competitiveness and meet an expanding range of customer requirements. We intend to continuously expand our existing product offerings and introduce new products and expect that such expenditures will continue to increase in absolute dollars. For the three and nine-month periods ended January 26, 2001 and January 28, 2000, no software development costs were capitalized.

General and Administrative -- General and administrative expenses increased 104.1% to $10.9 million for the three-month period ended January 26, 2001, from $5.4 million for the three-month period ended January 28, 2000. These expenses represented 3.8% and 3.6% of net sales for the three-month periods ended for such periods respectively. For the nine-month periods, general and administrative expenses increased 122.9% to $30.0 million in fiscal 2001 from $13.4 million in fiscal 2000 and represented 3.8% and 3.5% of net sales, respectively, for those periods. Increases in absolute dollars were primarily due to increased headcount, expenses associated with initiatives to enhance enterprise-wide management information systems and increased professional service fees. General and administrative headcount increased to 238 at January 26, 2001 from 125 at January 28, 2000. We believe that our general and administrative expenses will increase in absolute dollars as we continue to build our infrastructure.

Amortization of Intangible Assets -- Amortization of intangible assets represents the excess of the aggregate purchase price over the fair value of the tangible and identifiable intangible assets acquired by us. Intangible assets as of January 26, 2001, including goodwill, existing workforce and technology, are being amortized over the estimated useful life of three to five-year periods. We assess the recoverability of goodwill by determining whether the amortized asset over its useful life may be recovered through estimated useful cash flows. Amortization of intangible assets charged to operations was $4.6 million and $6.5 million, respectively, for the three and nine-month periods ended January 26, 2001.

In-process Research and Development -- We incurred in-process research and development charges of approximately $26.7 million in the first quarter of fiscal 2001 related to the acquisition of Orca. The purchase price of the transaction was allocated to the acquired assets and liabilities based on their estimated fair values as of the date of the acquisition. Approximately $26.7 million was allocated to in-process research and development and charged to operations, because the acquired technology had not reached technological feasibility and had no alternative uses. The value was determined by estimating the costs to develop the acquired in-process technology into commercially viable products, estimating the resulting net cash flows from such projects, and discounting the net cash flows back to their present value. The discount rate included a factor that took into account the uncertainty surrounding the successful development of the acquired in-process technology. These estimates are subject to change, given the uncertainties of the development process, and no assurance can be given that deviations from these estimates will not occur. Excluding the charge that may result from 264,497 contingently issuable common shares, research and development costs to bring the products from Orca to technological feasibility are not expected to have a material impact on our future results of operations or financial condition.

We believe we could utilize the Orca acquisition to develop the first virtual interface-based (VI) next generation of network attached storage systems. We are leveraging VI architecture to develop the Direct Access File System (DAFS) protocol. DAFS enables block data transfers straight from the file server, allowing clusters of application servers in heterogeneous environments to share data from the memory of one system to the memory of another without involving general-purpose operating systems, thereby improving CPU utilization and speeding up data access. We expect to continue the development of products using this protocol and believe that there is a reasonable chance of successfully delivering initial products in calendar year 2001. However, there is risk associated with the completion of the in-process project and there can be no assurance that such project will meet with either technological or commercial success. Failure to successfully develop and commercialize this in-process project would result in the loss of the expected economic return inherent in the fair value allocation. Additionally, the value of other intangible assets acquired may become impaired. The risks associated with the research and development are still considered high and no assurance can be made that upcoming products will meet market expectations or gain market acceptance.

Stock Compensation -- We account for stock-based employee compensation arrangements in accordance with provisions of APB No. 25, "Accounting for Stock Issued to Employees," for employee compensation awards and comply with the disclosure provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," for non-employee compensation awards. Accordingly, we recognize the intrinsic value for employees and the fair value for non-employees as stock compensation expense over the vesting terms of the awards. Stock compensation expenses increased to $1.1 million for the three-month period ended January 26, 2001, from $0.3 million for the three-month period ended January 28, 2000. For the nine-month periods, stock compensation expenses increased to $2.0 million in fiscal 2001 from $0.8 million in fiscal 2000, respectively, for those periods. This increase was primarily attributable to the recognition of stock compensation of unvested options assumed in the WebManage acquisition, increased

participation in the salaried stock option grant program by certain highly compensated employees and non-employee stock options awards.

Total Other Income, net -- Total other income, net, was $7.2 million and $2.9 million for the three-month periods ended January 26, 2001 and January 28, 2000, respectively. During the nine-month period ended January 26, 2001, total other income, net, was $17.1 million, as compared to $7.2 million in the corresponding period of the prior year. The increase in interest income was primarily due to increased cash and short-term investments generated from operations, net proceeds from stock option exercises and net proceeds from the March 1999 follow-on public offering.

Provision for Income Taxes -- Our estimated effective tax rate for the three and nine-month periods ended January 26, 2001 was 34.5%, excluding the effect of non-deductible amortization of goodwill of $3.2 million for the three-month period ended January 26, 2001, and for the nine-month period then ended, $31.9 million of non-deductible goodwill amortization and acquired in-process research and development. The effective tax rate for the three and nine-month periods ended January 28, 2000 was 35.5%. The effective tax rates differed from the U.S. statutory rate primarily due to state taxes, credits and tax exempt interest.

Agreement with Intel Corporation -- During the third quarter of fiscal 2001, we entered into two separate agreements with Intel Corporation, a Business Alliance Agreement and a Patent Cross Licensing Agreement. Under the Business Alliance Agreement, Intel has an incentive to purchase our systems for use in data center operations worldwide, and we have an incentive to purchase Intel microprocessors, systems, and other components for incorporation in our filers for network storage and NetCache content delivery systems. The Patent Cross Licensing Agreement includes a broad technology cross license and patent sharing.

CERTAIN RISK FACTORS

Although we have experienced significant revenue growth in recent periods, this growth may not be indicative of our future operating results. As a result, we believe that period-to-period comparisons of our results of operation are not necessarily meaningful and should not be relied upon as indicators of future performance. Many of the factors that could cause our quarterly operating results to fluctuate significantly in the future are beyond our control and include the following:

- the level of competition in our target product markets;
- the size, timing, and cancellation of significant orders;
- product configuration and mix;
- market acceptance of new products and product enhancements;
- new product announcements or introductions by us or our competitors;
- deferrals of customer orders in anticipation of new products or product enhancements;
- changes in pricing by us or our competitors;
- our ability to timely develop, introduce and market new products and enhancements;
- supply constraints;
- technological changes in our target product markets;

- the levels of expenditure on research and development and expansion of our sales and marketing programs;

- seasonality; and

- general economic trends.

In addition, sales for any future quarter may vary and accordingly be inconsistent with our plans. We generally operate with limited order backlog because our products are typically shipped shortly after orders are received. As a result, product sales in any quarter are generally dependent on orders booked and shipped in that quarter. Product sales are difficult to forecast because the network attached storage market is rapidly evolving and our sales cycle varies substantially from customer to customer.

Due to all of the foregoing factors, it is possible that in one or more future quarters our results may fall below the expectations of public market analysts and investors. In such event, the trading price of our common stock would likely decrease.

We conduct business internationally. International sales (including U.S. exports) were approximately 38.4% and 34.4% of total net sales for the three and nine-month periods ended January 26, 2001, respectively. Accordingly, our future operating results could be materially adversely affected by a variety of factors, some of which are beyond our control, including regulatory, political or economic conditions in a specific country or region, trade protection measures and other regulatory requirements and government spending patterns.

Our international sales are denominated in U.S. dollars and in foreign currencies. An increase in the value of the U.S. dollar relative to foreign currencies could make our products more expensive and, therefore, potentially less competitive in foreign markets. For international sales and expenditures denominated in foreign currencies, we are subject to risks associated with currency fluctuations. We hedge risks associated with foreign currency transactions in order to minimize the impact of changes in foreign currency exchange rates on earnings. We utilize forward contracts to hedge trade and intercompany receivables and payables. All hedge contracts are marked to market through earnings every period.

Additional risks inherent in our international business activities generally include, among others, longer accounts receivable payment cycles, difficulties in managing international operations and potentially adverse tax consequences. We cannot assure you that such factors will not materially adversely affect our future international sales and, consequently, our operating results.

Although operating results have not been materially and adversely affected by seasonality in the past, because of the significant seasonal effects experienced within the industry, particularly in Europe, we cannot assure you that our future operating results will not be adversely affected by seasonality.

We believe that continued growth and profitability will require successful expansion of our international operations and sales and therefore we have committed significant resources to such expansion. In order to successfully expand international sales in fiscal 2001 and subsequent periods, we must strengthen foreign operations, hire additional personnel and recruit additional international distributors and resellers. This will require significant management attention and financial resources and could materially adversely affect our operating results. To the extent that we are unable to effect these additions in a timely manner, our growth, if any, in international sales will be limited, and our operating results could be materially adversely affected. In addition, we cannot assure you that we will be able to maintain or increase international market demand for our products.

LIQUIDITY AND CAPITAL RESOURCES

As of January 26, 2001, as compared to the April 30, 2000 balances, our cash, cash equivalents and short-term investments decreased by $16.7 million to $336.8 million. Working capital decreased by $13.0 million to $406.6 million. The decrease was primarily a result of $192.1 million restricted cash used to collateralize our synthetic leases, partially offset by mark-to-market unrealized gains on certain investments. We generated cash from operating activities totaling $179.3 million and $52.7 million for the nine-month periods ended January 26, 2001 and January 28, 2000, respectively. Net cash provided by operating activities for the nine-month period ended January 26, 2001 was principally related to net income of $74.4 million, increases in accounts payable, income taxes payable, accrued compensation and related benefits, deferred revenue and other accrued liabilities, decreases in prepaid expenses and other, coupled with depreciation, in-process research and development, amortization of intangibles, stock compensation amortization, partially offset by increases in accounts receivable, inventories and deferred income taxes.

We used $59.9 million and $22.5 million of cash during the nine-month periods ended January 26, 2001 and January 28, 2000, respectively, for capital expenditures. The increase was primarily attributed to upgrades of software and computer equipment purchases and furniture and fixtures for the Sunnyvale headquarters facility. We have used $47.3 million and $53.0 million during the nine-month periods ended January 26, 2001 and January 28, 2000, respectively, for net purchases of short-term investments. In June 2000, we acquired Orca for a purchase price of approximately $50.0 million, including common stock, contingently issuable common stock, assumed options, cash payments of $2.0 million and related transaction costs. In November 2000, we acquired WebManage for a purchase price of approximately $59.4 million, including common stock, contingently issuable common stock, assumed options, cash payments of $5.0 million and related transaction costs. Investing activities in the nine-month period ended January 26, 2001 also included new equity investments of $6.4 million.

We have used $123.2 million during the nine-month period ended January 26, 2001 for financing activities and received $33.0 million for the corresponding period of the prior fiscal year. The increase in cash provided by sales of common stock for the nine-month period ended January 26, 2001, compared to the corresponding period of the prior fiscal year, was due to an increased quantity of stock options exercised at a higher average exercise price and a greater number of employees participating in the employee stock purchase plan. Offsetting this increase for the nine-month period ended January 26, 2001 was restricted cash of $192.1 million used to collateralize operating leases. See Note 9 to the Notes to the Condensed Consolidated Financial Statements.

Excluding the commitments related to operating lease arrangements for various properties in our Sunnyvale headquarters, which aggregate $309.0 million, we currently have no significant commitments other than commitments under operating leases. We believe that our existing liquidity and capital resources, including the available amounts under our $5.0 million line of credit, are sufficient to fund our operations for at least the next twelve months.

NEW ACCOUNTING STANDARDS

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which defines derivatives, requires that all derivatives be carried at fair value, and provides for hedging accounting when certain conditions are met. This statement is effective for all fiscal quarters of fiscal years beginning after June 15, 2000. Although we have not fully assessed the implications of this new statement, we do not believe adoption of this statement will have a material impact on our consolidated financial position, results of operations or cash flows.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk related to fluctuations in interest rates, market prices and in foreign currency exchange rates. We use certain derivative financial instruments to manage these risks. We do not use derivative financial instruments for speculative or trading purposes. All financial instruments are used in accordance with management-approved policies.

Market Interest and Interest Income Risk

Interest and Investment Income - As of January 26, 2001, we had short-term investments of $122.4 million. Our investment portfolio consists of highly liquid investments with original maturities at the date of purchase between three and twelve months and investment in marketable equity securities in a certain technology company. These highly liquid investments, consisting primarily of government and corporate debt securities, are subject to interest rate and interest income risk and will decrease in value if market interest rates increase. A hypothetical 10 percent increase in market interest rates from levels at January 26, 2001, would cause the fair value of these short-term investments to decline by an immaterial amount. Because we have the ability to hold these investments until maturity we would not expect any significant decline in value of our investments caused by market interest rate changes. Declines in interest rates over time will, however, reduce our interest income. We do not use derivative financial instruments in our investment portfolio.

Operating Lease Commitments - As of January 26, 2001, we have outstanding lease commitments to a third-party entity under operating lease agreements, which vary based on a monthly LIBOR rate plus a spread. A hypothetical 10 percent increase in interest rates would increase our annual rent expense under operating lease commitments by approximately $1.9 million. Increases in interest rates could, however, increase our rent expenses associated with future lease payments. We do not currently hedge against interest rate increases. Our investment portfolio offers a natural hedge against interest rate risk from our operating lease commitments in the event of a significant increase in the market interest rate. Moreover, a total of $192.1 million in operating leases are collateralized with investments that have similar, and thus offsetting, interest rate characteristics.

Market Price Risk

Equity Securities - We are also exposed to market price risk on our equity securities included in our short-term and long-term investments. These investments are in publicly traded companies in the volatile high-technology industry sector. We do not attempt to reduce or eliminate our market exposure on these securities and as a result, the amount of income and cash flow that we ultimately realize from these investments in future periods may vary materially from the current unrealized amount. A 50% adverse change in the equity price would result in an approximate $1.9 million decrease in the fair value of our equity securities as of January 26, 2001 (no such equity securities were held as of January 28, 2000).

The hypothetical changes and assumptions discussed above will be different from what actually occurs in the future. Furthermore, such computations do not anticipate actions that may be taken by management, should the hypothetical market changes actually occur over time. As a result, the effect on actual earnings in the future will differ from those described above.

Foreign Currency Exchange Rate Risk

We hedge risks associated with foreign currency transactions in order to minimize the impact of changes in foreign currency exchange rates on earnings. We utilize forward contracts to hedge against the short-term impact of foreign currency fluctuations on certain assets and liabilities denominated in foreign currencies. All hedge instruments are marked to market through earnings every period. We believe that these forward contracts do not subject us to undue risk due to foreign exchange movements because gains and losses on these contracts are offset by losses and gains on the underlying assets and liabilities.

All contracts have a maturity of less than one year and we do not defer any gains and losses, as they are all accounted for through earnings every period.

The following table provides information about our foreign exchange forward contracts outstanding on January 26, 2001, (in thousands):

CURRENCY	BUY/ SELL	FOREIGN CURRENCY AMOUNT	CONTRACT VALUE USD	FAIR VALUE IN USD
AUD	Sell	14,331	$7,853	$7,767
AUD	Buy	6,290	$3,409	$3,409
CHF	Sell	21,378	$13,966	$13,941

CHF	Buy	9,915	$6,470	$6,465
GBP	Sell	28,570	$45,400	$45,176
GBP	Buy	14,299	$22,609	$22,609
EUR	Sell	56,058	$60,898	$60,920
EUR	Buy	114,024	$123,782	$123,912

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None

ITEM 2. CHANGES IN SECURITIES

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

10.75* Patent Cross License Agreement dated 12/11/00 by and between Intel Corporation and the Company

* Specified portions of this agreement have been omitted and have been filed separately with the Commission pursuant to a request for confidential treatment

(b) Reports on Form 8-K

None

SIGNATURE

Pursuant to the requirements of the Securities and Exchange Act of 1934, as amended, the registrant duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NETWORK APPLIANCE INC.
(Registrant)

/s/ JEFFRY R. ALLEN

Jeffry R. Allen
Executive Vice President Finance and Operations, Chief Financial Officer and Secretary

Date: March 12, 2001

EXHIBIT INDEX

Exhibit Number	Description
10.75*	Patent Cross License Agreement dated 12/11/00 by and between Intel Corporation and the Company

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EXHIBIT 10.75

NOTE: Portions of this Exhibit are the subject of a Confidential Treatment Request by the Registrant to the Securities and Exchange Commission. Such portions have been redacted and are marked with a "[*]" in place of the redacted language.

PATENT CROSS LICENSE AGREEMENT

BETWEEN

NETWORK APPLIANCE INC. AND INTEL CORPORATION

This Patent Cross License Agreement ("Agreement") is entered into as of October 1, 2000 ("Effective Date") by and between Network Appliance Inc., a California corporation, having an office at 495 East Java Drive, Sunnyvale, California 94089, U.S.A. ("Network Appliance") and Intel Corporation, a Delaware corporation, having an office at 2200 Mission College Blvd., Santa Clara, California 95052, U.S.A. ("Intel").

IN CONSIDERATION OF THE MUTUAL COVENANTS AND PROMISES CONTAINED HEREIN, THE PARTIES AGREE AS FOLLOWS:

1. DEFINITIONS

1.1. "Capture Period" shall mean any time on or prior to the seventh anniversary of the Effective Date.

1.2. "Flash Memory Products" shall mean non-volatile Integrated Circuits capable of storing data that are electrically programmable and electrically erasable.

1.3. "Information System Product" shall mean any active circuit element, apparatus, appliance, circuit assembly, computer, device, equipment, firmware, housing, Integrated Circuit, instrumentality, material, method, passive circuit element, process, service, software, substrate or other means for calculating, classifying, combining, computing, detecting, displaying, handling, hosting, imaging, inputting, manifesting, measuring, modifying, networking, originating, photographing, playing, printing, processing, providing, receiving, recording, reproducing, retrieving, scanning, serving, storing, switching, transmitting or utilizing data or other information for business, scientific, control or other purposes, including components and subsystems thereof or supplies therefore.

1.4. "Integrated Circuit" shall mean an integrated unit comprising (a) one or more active and/or passive circuit elements associated on one or more substrates, such unit forming, or contributing to the formation of, a circuit for performing electrical functions (including, if provided therewith, housing and/or supporting means) in combination with (b) any and all firmware, microcode or drivers, if needed to cause such circuit to perform substantially all of its intended hardware functionality, whether or not such firmware, microcode or drivers are shipped with such integrated unit or installed at a later time.

1.5. "Intel Architecture Emulator" shall mean software that, through emulation, simulation or any other process, allows a computer that does not contain an Intel

Compatible Processor (or a processor that is not an Intel Compatible Processor) to execute binary code that is capable of being executed on an Intel Compatible Processor.

1.6. "Intel Compatible Chipsets" shall mean one or more Integrated Circuits that alone or together are capable of (i) electrically interfacing directly (with or without buffering or pin reassignment) with an Intel Processor to form the connection between an Intel Processor and any other device including, without limitation, Processors, input/output devices, and memory; or (ii) communicating directly with any Intel Compatible Processor through an Intel Interface.

1.7. "Intel Compatible Compiler" shall mean a compiler that generates object code that can, with or without additional linkage processing, be executed on any Intel Processor.

1.8. "Intel Compatible Processor" shall mean any Processor that (a) can perform substantially the same functions as an Intel Processor by compatibly executing or otherwise processing (i) a substantial portion of the instruction set of an Intel Processor or (ii) object code versions of applications or other software targeted to run on or with an Intel Processor, in order to achieve substantially the same result as an Intel Processor; or (b) is substantially compatible with an Intel Processor Bus.

1.9. "Intel Interface" shall mean a proprietary bus or other data path first introduced by Intel that (a) is capable of transmitting and/or receiving information inside an Integrated Circuit or between two or more Integrated Circuits, together with the set of protocols defining the electrical, physical, timing and functional characteristics, sequences and control procedures of such bus or data path; and (b) Intel has not granted a license to or committed to grant a license to through participation in a formal or informal Standard Industry Group or other standard setting body; and (c) Intel has not publicly disclosed with no obligation of confidentiality.

1.10. "Intel Licensed Products" shall mean any Intel product that constitutes: (a) an Information System Product (b) software or (c) any combination thereof, that are sold by Intel as Intel's own product (subject to the limitations set forth in Section 3.4) and not on behalf of another, provided that Intel Licensed Products shall not include any Network Appliance Proprietary Products.(*)

*Confidential treatment requested for redacted portion.

1.11. "Intel Processor" shall mean a Processor first developed by, for or with substantial participation by Intel, or the design of which has been purchased or otherwise acquired by Intel, including without limitation the Intel 8086, 80186, 80286, 80386, 80486, Pentium(R), Pentium Pro, Pentium(R) II, Pentium(R) III, StrongARM, Xscale, Itanium(R) processor, 80860 and 80960 microprocessor families, and the 8087, 80287, and 80387 math coprocessor families.

1.12. "Intel Processor Bus" shall mean an Intel Interface that is capable of connecting one or more Intel Processors to each other, to an Intel Compatible Chipset or to a main memory or cache.

1.13. "Intel Proprietary Product" shall mean Copied Intel Products, Intel Compatible Processors, Intel Architecture Emulators, Intel Compatible Compilers, Intel Compatible Chipsets, Intel Interfaces (including Intel Processor Buses) and Flash Memory Products.

1.14. "Licensed Product" shall mean a Network Appliance Licensed Product or an Intel Licensed Product as applicable.

1.15. "Network Appliance Caching Appliances" shall mean thin server caching appliances having as their exclusive purpose the provision of proxy caching storage management for data servers.

1.16. "Network Appliance Filers" shall mean file servers having as their exclusive purpose the storing and retrieving of data files on a computer network.

1.17. "Network Appliance Licensed Products" shall mean any Network Appliance product that constitutes: (a) a Network Appliance Caching Appliance, (b) a Network Appliance Filer, (c) software or (d) any combination thereof, and that is sold by Network Appliance as Network Appliance's own product (subject to the limitations set forth in Section 3.4) and not on behalf of another, provided that Network Appliance Licensed Products shall not include any Intel Proprietary Products.

1.18. "Patents" shall mean all classes or types of patents other than design patents (including, without limitation, originals, divisions, continuations, continuations-in-part, extensions or reissues), and applications for these classes or types of patent rights in all countries of the world (collectively "Patent Rights") that, at any time during the term of this Agreement, are owned or controlled by the applicable party or any of its Subsidiaries or to which such entities have the right to grant licenses, that have a first effective filing date during the Capture Period and to the extent that the applicable party or its Subsidiaries has the right to grant licenses within and of the scope set forth herein and without the requirement to pay consideration to any third party (other than employees of the applicable party or its Subsidiaries) for the grant of a license under this Agreement.

1.19. "Processor" shall mean any Integrated Circuit or combination of Integrated Circuits capable of processing digital data, such as a microprocessor or coprocessor (including, without limitation, a math coprocessor, graphics coprocessor, or digital signal processor).

1.20. "Subsidiary" shall mean any corporation, partnership, joint venture, limited liability company or other entity, now or hereafter, in which a party

(a) owns or controls (either directly or indirectly) or originally contributed (either directly or indirectly) at least fifty percent (50%) of the tangible and intangible assets of such entity; and

(b) owns or controls (either directly or indirectly) either of the following:

(1) if such entity has voting shares or other securities, more than fifty percent (50%) of the outstanding shares or securities entitled to vote for the election of directors or similar managing authority and such entity is under no obligation (contractual or otherwise) to directly or indirectly distribute more than fifty percent (50%) of its profits to a third party, or

(2) if such entity does not have voting shares or other securities, more than fifty percent (50%) of the ownership interest that represents the right to make decisions for such entity and an interest sufficient to receive more than fifty percent (50%) of the profits and/or losses of such entity.

(c) An entity shall be deemed to be a Subsidiary under this Agreement only so long as all requisite conditions of being a Subsidiary are met.

2. MUTUAL RELEASES

2.1. Network Appliance. Network Appliance, on behalf of itself and its Subsidiaries, hereby releases, acquits and forever discharges Intel, its Subsidiaries that are Subsidiaries as of the Effective Date or become Subsidiaries during the term of this Agreement, and its and their distributors and customers, direct and indirect, from any and all claims or liability for infringement (direct, induced, indirect or contributory) of any Network Appliance Patents that arose prior to the Effective Date of this Agreement, to the extent such infringement would have been licensed under the license granted to Intel hereunder if such license had been in existence at the time of such infringing activity.

2.2. Intel. Intel, on behalf of itself and its Subsidiaries, hereby releases, acquits and forever discharges Network Appliance, its Subsidiaries that are Subsidiaries as of the Effective Date or become Subsidiaries during the term of this Agreement, and its and their distributors and customers, direct and indirect, from any and all claims or liability for infringement (direct, induced, indirect or contributory) of

any Intel Patents that arose prior to the Effective Date of this Agreement, to the extent such infringement would have been licensed under the license granted to Network Appliance hereunder if such license had been in existence at the time of such infringing activity.

3. GRANT OF RIGHTS

3.1. Network Appliance License to Intel. Subject to the terms and conditions of this Agreement, Network Appliance hereby grants to Intel a non-exclusive, non-transferable, royalty-free, worldwide license, without the right to sublicense, under Network Appliance's Patents to:

(a) make, use, sell (directly or indirectly), offer to sell, import and otherwise dispose of all Intel Licensed Products; and

(b) make, have made, use and/or import any equipment and practice any method or process for the manufacture, use and/or sale of Intel Licensed Products; and

(c) have made (subject to the limitations set forth in Section 3.3) Intel Licensed Products by another manufacturer for supply solely to Intel for use, import, sale, offer for sale or disposition by Intel pursuant to the license granted above in Section 3.1(a).

3.2. Intel License to Network Appliance. Subject to the terms and conditions of this Agreement, Intel hereby grants to Network Appliance a non-exclusive, non-transferable, royalty-free, worldwide license, without the right to sublicense, under Intel's Patents to:

(a) make, use, sell (directly or indirectly), offer to sell, import and otherwise dispose of all Network Appliance Licensed Products; and

(b) make, have made, use and/or import any equipment and practice any method or process for the manufacture, use and/or sale of all Network Appliance Licensed Products; and

(c) have made (subject to the limitations set forth in Section 3.3) Network Appliance Licensed Products by another manufacturer for supply solely to Network Appliance for use, import, sale, offer for sale or disposition by Network Appliance pursuant to the license granted above in Section 3.2(a).

(d) The licenses granted to Network Appliance to make, use, sell, offer for sale, import or otherwise dispose of Network Appliance Licensed Products includes the right to assemble and combine Integrated Circuits that are not Intel Proprietary Products into such Network Appliance Licensed Products, but does not include any license to make, have made, use, sell, offer to sell, import or otherwise dispose of Integrated Circuits themselves, including those Integrated Circuits that are included in Network Appliance Licensed Products (except as replacement parts for such Network Appliance Licensed Products).

3.3. Have Made Rights.

(a) Each party's rights to have Licensed Products manufactured for it by third parties under the licenses granted under Sections 3.1 and 3.2 above shall apply only when the designs, specifications and working drawings for the manufacture of the Licensed Product to be manufactured by such third party are furnished to the third party manufacturer by the party licensed under this Agreement ("Licensed Party").

(b) The parties understand and acknowledge that a party's Licensed Products may consist of software, and that software is often distributed to end users by providing a single master copy of such software to a distributor, replicator, VAR, OEM or other agent and authorizing such agent to reproduce such software in substantially identical form. Accordingly, the parties agree that the licenses granted in this Section 3 are intended to apply to the reproduction and subsequent distribution of such software Licensed Products in substantially identical form by such authorized agent.

(c) Upon written request of the party to this Agreement that grants the relevant license to the Licensed Party ("Requesting Party"), the Licensed Party shall, within 30 days of receiving such request, inform the Requesting Party in writing whether, and if so to what extent, any manufacturer identified by the Requesting Party is manufacturing any Licensed Product for the Licensed Party pursuant to the "have made" rights granted under this Agreement.

3.4. Clarification Regarding Patent Laundering. The parties understand and acknowledge that the licenses granted hereunder are intended to cover only the products of the two parties to this Agreement, and are not intended to cover manufacturing activities that either party may undertake on behalf of third parties (patent laundering activities). Similarly, the licenses provided under this Agreement are not intended to cover services provided by the parties to the extent that such services are provided to or on behalf of a third party using tangible or intangible materials provided by or on behalf of the third party. Accordingly, by way of clarification, the following guidelines are provided to aid the determination of whether a party's product is a Licensed Product as defined herein or whether such product is disqualified from being a Licensed Product because circumstances surrounding the manufacture of the product suggest patent laundering.

(a) Products of either party (including, without limitation, Application Specific Integrated Circuits "ASICs") that otherwise meet the definition of Licensed Product are disqualified as Licensed Products if such products are manufactured on behalf of a third party from designs received in a substantially completed form from a third party for resale to or on behalf of that party.

(b) Products of either party (including, without limitation, ASICs) that otherwise meet the definition of Licensed Product are not disqualified as Licensed Products under the prohibition against patent laundering set forth in this Section 3.4 if:

(1) the party selling such Licensed Product owns the design of such product and is under no obligation that restricts the sale of such Licensed Product; or

(2) the party selling such Licensed Product has an unrestricted,

royalty-free ownership or license right to the design of the Licensed Product.

3.5. Licenses and Subsidiaries.

(a) Intention for Subsidiaries to be Bound.

(1) Except as expressly provided herein, the parties intend that this Agreement shall extend to all of each party's Subsidiaries. The parties agree that to the extent they are not already bound, each party shall use reasonable and diligent efforts to ensure that all such Subsidiaries are bound by the terms of this Agreement.

(2) Each party agrees to take all steps that are reasonable and in good faith under the circumstances to ensure that all Patents directed to inventions that are made by its employees and/or contractors either alone or in conjunction with the employees and/or contractors of one or more of its Subsidiaries are licensed under this Agreement. Each party further agrees to take all steps that are reasonable and in good faith under the circumstances to ensure that all Patents directed to inventions that are made in substantial part using funding provided directly or indirectly by that party and/or its Subsidiaries are licensed under this Agreement.

(3) Notwithstanding the foregoing, both parties understand and intend that there are circumstances in which a party could reasonably agree in good faith with a third party that the party would not have rights to license and/or enforce Patents directed to inventions developed in conjunction with employees and or contractors of such third party. For example, both parties understand that it could be reasonable under the circumstances for a party to agree in good

faith not to have rights to license and/or enforce Patents directed to inventions that arise out of: (i) bona fide joint development projects based in substantial part on the pre-existing technology of an independent third party; or (ii) bona fide joint development projects undertaken with the significant assistance of the employees and/or contractors of an independent third party.

(4) Either party to this Agreement shall have the right to request a written confirmation or denial from the other party to this Agreement that a specific Subsidiary is (or is not) bound by this Agreement. A party receiving such a request shall provide such written confirmation (including a full explanation in support of such confirmation or denial) within 30 days after the receipt of the request.

(b) In the event that neither a party nor any of its Subsidiaries has the right to grant a license under any particular Patent Right of the scope set forth herein, then the license granted herein under such Patent shall be of the broadest scope which the licensing party or any of its Subsidiaries has the right to grant.

(c) The parties represent, warrant and covenant that they shall not participate in the creation of Subsidiaries where a primary purpose of such creation is to extend the benefits of this Agreement to a third party.

(d) The extension of license rights to a Subsidiary shall apply only during the time period when such Subsidiary meets all requirements of a Subsidiary. However, if a Subsidiary of a party that holds any Patents that are licensed to the other party hereunder ceases to meet all requirements of being a Subsidiary, the licenses granted by such Subsidiary to the other party under this Agreement shall continue for the life of such Patents even after such entity ceases to meet all the requirements of being a Subsidiary.

(e) Notwithstanding anything to the contrary contained herein, in the event that either party or any of its Subsidiaries obtains rights to any Patents that would be included within the Patents licensed hereunder but for the fact that such a license would require the party granting such license to make payments to a third party, such Patents shall be included within the Network Appliance Patents or the Intel Patents, as the case may be, if the party to whom such would be licensed under this Agreement agrees in a separate written agreement to be bound by, and protect such grantor against, those payment obligations.

(f) Notwithstanding Section 3.6(d), if a Subsidiary of a party becomes a Former Subsidiary, the other party ("Other Party") agrees that it shall enter into good faith negotiations intended to result in a patent cross license with the Former Subsidiary, provided that:

(1) within 180 days of the date the Former Subsidiary ceases to meet all requirements set forth in the definition of Subsidiary, the Former Subsidiary notifies the Other Party in writing of its intention to exercise its rights under this Section 3.5(f);

(2) the Former Subsidiary does not first initiate a lawsuit or other proceeding alleging patent infringement against the Other Party;

(3) the Former Subsidiary agrees to grant a license at least as broad as the license set forth in this Agreement to the Other Party, and;

(4) the scope of the license the Other Party agrees to grant is sufficiently broad to encompass the anticipated business operations of the Former Subsidiary at the time the former Subsidiary ceases to meet all requirements of the definition of Subsidiary.

(5) For purposes of this Section 3.5(f), "Former Subsidiary" shall mean a Subsidiary that agreed to be bound by the terms and conditions of this Agreement and thereafter ceased to meet all requirements of the definition of Subsidiary set forth herein, so long as, on the date upon which the Former Subsidiary ceased to meet the definition of Subsidiary, the Former Subsidiary has all of the following:

i. a line of marketable products;

ii. patents or other intellectual property relating to the line of marketable products; and

iii. tangible assets of at least 25,000,000 USD.

3.6. Waiver of Indirect Infringement Liability.

(a) For purposes of this Section 3.6, "Indirect Infringement" means a claim for infringement where the accused infringer is not directly infringing the subject patent rights(s), but is in some manner contributing to a third party's direct infringement of the subject patent rights(s) by, for example, supplying parts or instructions to the third party that as a result of such parts or instructions enable such third party to infringe directly the subject patent rights(s). Indirect Infringement includes without limitation contributory infringement and inducing infringement.

(b) Each party agrees that during the term of this agreement, it will not assert a claim of Indirect Infringement against the other party ("Licensed Party") where such a claim would be based in any part or in any way upon (a) any activity for which the Licensed Party is licensed under this Agreement, or (b) the Licensed Party providing instructions regarding or sample designs related to its Licensed Products. The parties agree that the foregoing sentence does not and shall not in any way limit their respective rights to assert direct or indirect claims of infringement against third parties.

3.7. [*]

3.8. No Other Rights. No other rights are granted hereunder, by implication, estoppel, statute or otherwise, except as expressly provided herein. Specifically, (i) except as expressly provided in Section 3, nothing in the licenses granted hereunder or otherwise contained in this Agreement shall expressly or by implication, estoppel or otherwise give either party any right to license the other party's Patents to others, and (ii) no license or immunity is granted by either party hereto directly or by implication, estoppel or otherwise to any third parties acquiring items from either party for the combination of Licensed Products with other items or for the use of such combination.

4. [*]

4.1. [*]

5. EFFECTIVE DATE, TERM AND TERMINATION FOR CAUSE

5.1. Term. This Agreement and the rights and licenses granted hereunder shall become effective on the Effective Date, and shall continue in effect until terminated by a party pursuant to Section 5.2, or until the end of the Capture Period, whichever is earlier. The Capture Period shall be automatically renewed for successive seven (7) year periods at the expiration of the then in effect Capture Period unless either party notifies the other to the contrary not more than one hundred eighty (180) days and not less than ninety (90) days prior to such expiration. For purposes of clarification, no payment shall be required from Network Appliance for any renewal period.

5.2. Termination for Cause.

(a) Subject to the survival of provisions specified in Section 5.3, a party may terminate the other party's rights and licenses hereunder upon notice if the other party hereto commits a material breach of this Agreement and does not correct such breach within sixty (60) days after receiving written notice complaining thereof. In the event of such termination, the rights and licenses granted to the defaulting party shall terminate, but the rights and licenses granted to the party not in default shall survive such

* Confidential treatment requested for redacted portion.

termination of this Agreement subject to its continued compliance with the terms and conditions of this Agreement.

(b) A party hereto may terminate this Agreement upon sixty (60) days written notice of termination to the other party given at any time upon or after:

(1) the filing by the other party of a petition in bankruptcy or insolvency;

(2) any adjudication that the other party is bankrupt or insolvent;

(3) the filing by the other party of any petition or answer seeking reorganization, readjustment or arrangement of its business under any law relating to bankruptcy or insolvency;

(4) the appointment of a receiver for all or substantially all of the property of the other party;

(5) the making by the other party of any assignment for the benefit of creditors;

(6) the institution of any proceedings for the liquidation or winding up of the other party's business or for the termination of its corporate charter;

(7) the other party undergoes a Change of Control. For purposes of this Section 5.2(b)(7), "Change of Control" shall mean a transaction or a series of related transactions in which (i) one or more related parties who did not previously own more than a fifty percent (50%) interest in a party to this Agreement obtain more than a fifty percent (50%) interest in such party, and, in the reasonable business judgment of the other party to this Agreement, such change in ownership will have a material effect on the other party's business, or (ii) a party acquires, by merger, acquisition of assets or otherwise, all or any portion of another legal entity such that either the assets or market value of such party after the close of such transaction are greater than one and one third (1 1/3) of the assets or market value of such party prior to such transaction.

(c) In the event of termination pursuant to Sections 5.2(a) and 5.2(b), the rights and licenses granted to the terminated party shall terminate, but the rights and licenses granted to the other shall survive such termination of this Agreement subject to its continued compliance with the terms and conditions of this Agreement.

(d) If Network Appliance commits a material breach, all payments remaining under Section 4 shall become immediately due and payable at a discount rate of 8% per annum.

5.3. Survival. The provisions of Sections 1, 2, 4, 5.3, 6 and 7 will survive any termination or expiration of this Agreement.

6. DISCLAIMER

6.1. Nothing contained in this Agreement shall be construed as:

(a) a warranty or representation by either of the parties to this Agreement as to the validity, enforceability or scope of any class or type of Patent Right; or

(b) a warranty or representation that any manufacture, sale, lease, use or other disposition of Licensed Products hereunder will be free from infringement of any patent rights or other intellectual property rights of either party or any third party.

(c) an agreement to bring or prosecute actions or suits against third parties for infringement or conferring any right to bring or prosecute actions or suits against third parties for infringement; or

(d) conferring any right to use in advertising, publicity, or otherwise, any trademark, trade name or names, or any contraction, abbreviation or simulation thereof, of either party; or

(e) conferring by implication, estoppel or otherwise, upon any party licensed hereunder, any license or other right under any Patent Rights, copyright, maskwork, trade secret, trademark other intellectual property right except the licenses and rights expressly granted hereunder; or

(f) an obligation to furnish any technical information or know-how.

6.2. NO IMPLIED WARRANTIES. EACH PARTY HEREBY DISCLAIMS ANY IMPLIED WARRANTIES WITH RESPECT TO THE PATENTS LICENSED HEREUNDER, INCLUDING WITHOUT LIMITATION, THE WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

7. MISCELLANEOUS PROVISIONS

7.1. Authority. Each of the parties hereto represents and warrants that it has the right to grant the other the licenses granted hereunder.

7.2. No Assignment. This Agreement is personal to the parties, and the Agreement or any right or obligation hereunder is not assignable, whether in conjunction with a change in ownership, merger, acquisition, the sale or transfer of all, or substantially all or any part of a party's business or assets or otherwise, either voluntarily, by operation of law, or otherwise, without the prior written consent of

the other party, which consent may be withheld at the sole discretion of such other party. Any such purported assignment or transfer shall be deemed a breach of this Agreement and shall be null and void. This Agreement shall be binding upon and inure to the benefit of the parties and their permitted successors and assigns.

7.3. Notice. All notices required or permitted to be given hereunder shall be in writing and shall be delivered by hand, or if dispatched by prepaid air courier or by registered or certified airmail, postage prepaid, addressed as follows:

If to Network Appliance:	If to Intel:
General Counsel Network Appliance Inc. 495 East Java Drive Sunnyvale, CA 94089 United States of America	General Counsel Intel Corporation 2200 Mission College Blvd. Santa Clara, CA 95052 United States of America

Such notices shall be deemed to have been served when received by addressee or, if delivery is not accomplished by reason of some fault of the addressee, when tendered for delivery. Either party may give written notice of a change of address and, after notice of such change has been received, any notice or request shall thereafter be given to such party as above provided at such changed address.

7.4. No Rule of Strict Construction. Regardless of which party may have drafted this Agreement, no rule of strict construction shall be applied against either party. If any provision of this Agreement is determined by a court to be unenforceable, the parties shall deem the provision to be modified to the extent necessary to allow it to be enforced to the extent permitted by law, or if it cannot be modified, the provision will be severed and deleted from this Agreement, and the remainder of the Agreement will continue in effect.

7.5. Taxes. Each party shall be responsible for the payment of its own tax liability arising from this transaction.

7.6. Entire Agreement; Separate Transactions. This Agreement embodies the entire understanding of the parties with respect to the subject matter hereof, and merges all prior discussions between them, and neither of the parties shall be bound by any conditions, definitions, warranties, understandings, or representations with respect to the subject matter hereof other than as expressly provided herein. No oral explanation or oral information by either party hereto shall alter the meaning or interpretation of this Agreement. The parties hereto are concurrently entering into a separate transaction relating to different matters reflected in an agreement entitled "Business Alliance Agreement Between Network Appliance Inc. and Intel Corporation" having an effective date , and hereby waive, and provide for the inapplicability of, California Civil Code Section 1642 to the separate agreements between the parties.

7.7. Modification; Waiver. No modification or amendment to this Agreement, nor any waiver of any rights, will be effective unless assented to in writing by the party to be charged, and the waiver of any breach or default will not constitute a waiver of any other right hereunder or any subsequent breach or default.

7.8. Governing Law. This Agreement and matters connected with the performance thereof 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 reference to conflict of laws principles.

7.9. Jurisdiction. Intel and Network Appliance agree that all disputes and litigation regarding this Agreement and matters connected with its performance shall be subject to the exclusive jurisdiction of the courts of the County of Santa Clara, California, or of the Federal courts sitting therein.

7.10. Dispute Resolution. All disputes arising directly under the express terms of this Agreement or the grounds for termination thereof shall be resolved as follows: First, the senior management of both parties shall meet to attempt to resolve such disputes. If the senior management cannot resolve the disputes, either party may make a written demand for formal dispute resolution. Within thirty (30) days after such written demand, the parties agree to meet for one day with an impartial mediator and consider dispute resolution alternatives other than litigation. If an alternative method of dispute resolution is not agreed upon within thirty (30) days after the one-day mediation, either party may begin litigation proceedings.

7.11. Confidentiality of Terms. The parties hereto shall keep the terms of this Agreement confidential and shall not now or hereafter divulge these terms to any third party except:

(a) with the prior written consent of the other party; or

(b) to any governmental body having jurisdiction to call therefor; or

(c) subject to (d) below, as otherwise may be required by law or legal process, including to legal and financial advisors in their capacity of advising a party in such matters; or

(d) during the course of litigation so long as the disclosure of such terms and conditions are restricted in the same manner as is the confidential information of other litigating parties and so long as (a) the restrictions are embodied in a court-entered Protective Order and (b) the disclosing party informs the other party in writing at least ten (10) days in advance of the disclosure; or

(e) in confidence to legal counsel, accountants, banks and financing sources and their advisors solely in connection with complying with financial transactions.

The parties shall cooperate in preparing and releasing an announcement, if any, relating to this Agreement.

7.12. Compliance with Laws. Anything contained in this Agreement to the contrary notwithstanding, the obligations of the parties hereto and of the Subsidiaries of the parties shall be subject to all laws, present and future, of any government having jurisdiction over the parties hereto or the Subsidiaries of the parties, and to orders, regulations, directions or requests of any such government.

7.13. Force Majeure. The parties hereto shall be excused from any failure to perform any obligation hereunder to the extent such failure is caused by war, acts of public enemies, strikes or other labor disturbances, fires, floods, acts of God, or any causes of like or different kind beyond the control of the parties.

WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed on the date below written.

INTEL CORPORATION	NETWORK APPLIANCE INC.
By: /s/ P. S. OTELLINI	By:/s/ DANIEL J. WARMENHOVEN
P.S. Otellini	Daniel J. Warmenhoven
Printed Name	Printed Name
EVP	CEO
Title	Title
12/11/00	11/29/00
Date	Date