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

Form 10-K

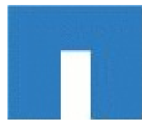
(Mark One)

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended April 29, 2016

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 000-27130



NetApp, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**77-0307520**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

495 East Java Drive,
Sunnyvale, California 94089
(Address of principal executive offices, including zip code)
(408) 822-6000
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of exchange on which registered
Common Stock, $0.001 Par Value	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

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

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

Indicate by a check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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

Large accelerated filer	☑	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐

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

The aggregate market value of voting stock held by non-affiliates of the registrant, as of October 30, 2015, the last business day of the registrant's most recently completed second fiscal quarter, was $5,131,692,964 (based on the closing price for shares of the registrant's common stock as reported by the NASDAQ Global Select Market on that date). Shares of common stock held by each executive officer, director, and holder of 5% or more of the outstanding common stock have been excluded in that such persons may be deemed to be affiliates. This determination of possible affiliate status is not a conclusive determination for other purposes.

On June 10, 2016, 280,080,152 shares of the registrant's common stock, $0.001 par value, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The information called for by Part III of this Form 10-K is hereby incorporated by reference from the definitive Proxy Statement for our annual meeting of stockholders, which will be filed with the Securities and Exchange Commission not later than 120 days after April 29, 2016.

TABLE OF CONTENTS

PART I

Item 1	Business	3
Item 1A	Risk Factors	15
Item 1B	Unresolved Staff Comments	25
Item 2	Properties	25
Item 3	Legal Proceedings	25
Item 4	Mine Safety Disclosures	25

PART II

Item 5	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	26
Item 6	Selected Financial Data	29
Item 7	Management's Discussion and Analysis of Financial Condition and Results of Operations	30
Item 7A	Quantitative and Qualitative Disclosures About Market Risk	49
Item 8	Financial Statements and Supplementary Data	51
Item 9	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	89
Item 9A	Controls and Procedures	89
Item 9B	Other Information	89

PART III

Item 10	Directors, Executive Officers and Corporate Governance	90
Item 11	Executive Compensation	90
Item 12	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	90
Item 13	Certain Relationships and Related Transactions, and Director Independence	90
Item 14	Principal Accounting Fees and Services	90

PART IV

Item 15	Exhibits, Financial Statement Schedules	90
Signatures		91

Cautionary Note on Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). Forward-looking statements are all statements (and their underlying assumptions) included in this document that refer, directly or indirectly, to future events or outcomes and, as such, are inherently not factual, but rather reflect only our current projections for the future. Consequently, forward-looking statements usually include words such as "estimate," "intend," "plan," "predict," "seek," "may," "will," "should," "would," "could," "anticipate," "expect," "believe," or similar words, in each case, intended to refer to future events or circumstances. A non-comprehensive list of the topics including forward-looking statements in this document includes:

- our future financial and operating results;
- our strategy;
- our beliefs and objectives for future operations, research and development;
- expectations regarding future product releases, growth and performance;
- political, economic and industry trends;
- expected timing of, customer acceptance of and benefits from, product introductions, developments and enhancements;
- expected benefits from acquisitions, including our acquisition of SolidFire, Inc. and joint ventures, growth opportunities and investments;
- expected outcomes from legal, regulatory and administrative proceedings;
- our competitive position;
- our short-term and long-term cash requirements, including, without limitation, anticipated capital expenditures;
- our anticipated tax rate;
- the repayment of our 2.00% Senior Notes due on December 15, 2017, 3.375% Senior Notes due on June 15, 2021 and 3.25% Senior Notes due on December 15, 2022 (collectively referred to as the Senior Notes);
- the repayment of the debt we incurred in relation to our acquisition of SolidFire, Inc. using global funds, and
- future uses of our cash, including, without limitation, the continuation of our stock repurchase and cash dividend programs.

All forward-looking statements included in this document are inherently uncertain as they are based on management's current expectations and assumptions concerning future events, and are subject to numerous known and unknown risks and uncertainties. Therefore, actual events and results may differ materially from these forward-looking statements. Factors that could cause actual results to differ materially from those described herein include, but are not limited to:

- the overall growth, structure and changes of the data storage industry;
- our ability to understand, and effectively respond to changes affecting, our market environment, products, technologies and customer requirements, including the impact of the cloud;
- our ability to gain customer acceptance of new products and enable customer transitions from older products;
- general global political, macroeconomic and market conditions;
- our ability to accurately forecast demand for our products and services, and future financial performance;
- our ability to successfully manage our backlog;
- our ability to successfully execute on our strategy to generate profitable growth and stockholder return;
- our ability to reduce our cost structure, streamline the business and improve efficiency;
- disruptions in our supply chain, which could limit our ability to ship products to our customers in the amounts and at the prices forecasted;
- our ability to maintain our customer, partner, supplier and contract manufacturer relationships on favorable terms and conditions;
- our ability to maintain our gross profit margins;

- our ability to timely and successfully introduce and increase volumes of new products and services and to forecast demand and pricing for the same;
- changes in U.S. government spending;
- the actions of our competitors including, without limitation, their ability to introduce competitive products and to acquire businesses and technologies that negatively impact our strategy, operations or customer demand for our products;
- the impact of industry consolidation affecting our suppliers, competitors, partners and customers;
- our ability to grow direct and indirect sales and to efficiently provide global service and support;
- our ability to design, manufacture and market products meeting global environmental standards;
- failure of our products and services to meet our customers' quality requirements, including, without limitation, any epidemic failure event relating to our systems installed by our customers in their IT infrastructures;
- our ability to resolve ongoing litigation, tax audits, government audits, inquiries and investigations in line with our expectations;
- the availability of acceptable financing to support our future cash requirements;
- our ability to effectively integrate acquired businesses, products and technologies, including SolidFire, Inc.;
- valuation and liquidity of our investment portfolio;
- foreign exchange rate impacts;
- our ability to successfully recruit and retain critical employees and to manage our investment in people, process and systems;
- our ability to anticipate techniques used to obtain unauthorized access or to sabotage systems and to implement adequate preventative measures against cybersecurity and other security breaches; and
- those factors discussed under the heading "Risk Factors" elsewhere in this Annual Report on Form 10-K.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this document and are based upon information available to us at this time. These statements are not guarantees of future performance. Except as required by law, we disclaim any obligation to update information in any forward-looking statement. Actual results could vary from our forward-looking statements due to the foregoing factors as well as other important factors.

PART I

Item 1. *Business*

Overview

NetApp®, Inc. (NetApp, we or us) provides software, systems and services to manage and store customer data. We enable enterprises, service providers, governmental organizations, and partners to envision, deploy and evolve their IT environments. Customers benefit from our collaboration with other technology leaders to create the specific solutions they need. We were incorporated in 1992 and created the world's first networked storage appliance. Today, we offer a portfolio of products and services that satisfy a broad range of customer workloads across different data types and deployment models.

Customer Needs

Customers continue to seek IT solutions that help to improve efficiency, lower risk and position them to respond quickly to growth opportunities. In an increasingly mobile, social and digitally connected world, they also need access to real-time insights and have the ability to personalize the experiences they deliver to their own customers. NetApp provides guidance and innovation to help its customers achieve the right balance of flexibility, cost and data control.

Chief Information Officers are embarking on IT transformations to improve the efficiency of their businesses and better serve their customers. Cloud computing has emerged as a way to more effectively meet rapidly changing business needs. Customers want to seamlessly integrate public cloud resources as an extension of their internal IT environment, an approach known as hybrid cloud. One of the biggest challenges to this vision is data management. While other parts of the IT infrastructure are largely interchangeable and carry no history, once data is created it needs to be protected and managed for its lifetime. As data grows, data and application mobility consume more time and bandwidth. The net result is that data management, NetApp's core competency, has become essential to realizing the promise of the hybrid cloud.

Data management on the hybrid cloud today is essentially a series of isolated siloes. IT organizations need to harmonize the management of data across all cloud providers, as well as on premises. This is what we call the Data Fabric. Our Data Fabric strategy defines the NetApp technology architecture for hybrid cloud. Today, we offer solutions that help customers seamlessly manage their data across their diverse IT resources, spanning flash, disk, and cloud. Customers have the flexibility to choose the right set of resources to meet the needs of their applications and the freedom to change them whenever they want. Customers are entirely in control of their data, regardless of the cloud that it sits on and regardless of the landscape in which it is deployed.

At the same time that customers are navigating through their IT transformations, which leverage modern architectures and hybrid cloud environments, they are also reducing IT budgets, looking for simpler solutions, and rethinking how they consume IT. This evaluation is diverting spending towards transformational projects and architectures like flash, hybrid cloud, converged infrastructure, and software defined storage. It is in these areas that our Data Fabric strategy gives us an advantage.

Flash. Flash plays a key role in customers' IT transformation efforts as they seek to gain advantage through greater speed, responsiveness, and value from key business applications, while substantially lowering total cost of ownership. All-flash array technology is becoming the de facto technology for primary application workloads as customers look to realize performance and economic benefits by replacing hard disk installations with flash. With a highly differentiated and complete portfolio of all-flash array offerings, NetApp is well positioned to enable customers to accomplish this transition.

Hybrid Cloud. NetApp believes that the hybrid cloud will become the dominant model for enterprise IT for years to come. Customers are attracted by the speed and scale benefits of the public cloud but need new data management capabilities to keep control of data as it moves beyond the walls of the enterprise. Our Data Fabric strategy enables data management that seamlessly connects disparate clouds and data centers. We enable our customers to manage, secure, and protect their data across flash, disk, and public and private cloud resources, all at the scale needed to accommodate the exponential data growth of the digital world.

Converged Infrastructure. Due to budget constraints and skill imbalances, our customers need greater support from their technology partners to evaluate, integrate, deploy and sustain the sophisticated solutions they need to stay competitive. This trend is driving the demand for converged infrastructure solutions that reduce the time of deployment and lower integration risk. NetApp offers compelling business value through our FlexPod® converged solutions, which reduce risks in ways that cannot be matched by the proprietary stacks offered by server vendors. FlexPod offerings, created in partnership with Cisco, provide a broad range of reference architectures.

Software-defined Storage: As customers replace their traditional storage architectures and transform their data centers, they want scale-out and software-defined storage functionality to both manage data growth efficiently and deliver service provider-like flexibility. Clustered Data ONTAP provides this through a highly efficient, multi-tenant, non-stop shared storage infrastructure to replace legacy, stovepipe architectures for enterprise applications like database, virtualization, VDI, and e-commerce. As customers plan their hybrid cloud architectures, the software defined architecture of clustered ONTAP provides a consistent way to manage data across public and private clouds, regardless of underlying hardware.

Product, Services and Solutions Portfolio

Our data management and storage offerings help improve business productivity, performance and profitability, while providing investment protection and enhanced asset utilization. We complement our enterprise-class storage solutions with services expertise that maximizes the business benefits our customers gain from deploying our products. In fiscal 2016, we focused on our Data Fabric strategy and the strategic solutions that form the foundation of how we enable customer success in the data-powered digital era.

All Flash Arrays

All Flash FAS

In June 2015, NetApp introduced a new all-flash series, the All Flash FAS, which is the only all-flash system to support seamless data management across flash, disk and cloud resources. This capability makes these systems ideal for customers who want to boost performance in their traditional data centers while mapping out their move to a hybrid cloud model. Built on years of flash innovation and experience, the NetApp All Flash FAS 8000 (AFF) series delivers high I/O at consistent low latency without compromising on core enterprise requirements, such as robust data management, efficient data protection, and flexibility to respond to changing customer needs. These systems are ideal for database, VDI and server virtualization applications.

The AFF series incorporates FlashEssentials software optimizations, which increase flash performance and efficiency. FlashEssentials is included in the ONTAP operating system, which underpins the Data Fabric, AFF models can be ordered as standalone systems and in FlexPod as a converged infrastructure validated designs. Professional services, delivered by NetApp or its partners, help users identify those workloads that are best served by all-flash systems.

Since its introduction, the AFF array line has become one of the fastest growing products in NetApp's history. We announced a smaller footprint AFF model in September 2015. New software efficiency technology and higher capacity drives for the AFF line were announced in November 2015, making it possible for customers to get the performance of flash at the price of disk.

EF-Series

The NetApp EF560 all-flash array targets applications that demand extremely high levels of performance, reliability, and availability. These systems allow customers to improve the user experience for customer-facing and decision-support systems and reduce their power, footprint and cooling requirements by 95% versus disk-based arrays.

Requiring just 2 units of rack space, the EF560 all-flash array combines extreme IOPS, microsecond response times, and up to 12GBps of bandwidth. Its enterprise-proven availability features include redundant components with automated failover, intuitive storage management with comprehensive tuning functions, and advanced monitoring and diagnostics with proactive repair. Customers can initiate NetApp Snapshot® copies and remote replication for subsecond backup and long-distance recovery.

NetApp SANtricity Plug-Ins for Microsoft, Oracle, Splunk, and VMware provide a consolidated view of the NetApp EF-Series systems, enabling users to monitor and manage their NetApp EF-Series storage from the application. Having such an integrated tool reduces the total cost of ownership by eliminating the need to manually compile critical information from several different tools.

SolidFire

In February 2016, NetApp completed the acquisition of all-flash startup company SolidFire, Inc., which when combined with our existing all-flash offerings, allows us to offer the industry's broadest portfolio of all-flash solutions. SolidFire systems target a new class of customer who is masterminding the next-generation data center and wants cloud-like capabilities from their on-premises storage for greater flexibility. These users place a priority on the ability to scale simply and seamlessly.

The SolidFire all-flash platform solves the challenges of resource allocation, simplified management, and application predictability at scale. The platform includes SolidFire SF Series hardware and Element OS software, which combine to enable flexible, independent scaling of both capacity and performance so customers can guarantee performance to thousands of applications on one shared storage system.

With SolidFire systems, customers realize the agility, efficiency, and scalability benefits demonstrated from cloud computing in an on-premises system that is highly available and easy to control. They can reduce cost and complexity by safely consolidating mission-critical applications onto a single storage platform. Deep infrastructure integration contributes to greater productivity, while deep automation capabilities enable dynamic, rapid allocation and tear down of storage resources for on-demand provisioning.

Hybrid Arrays

NetApp hybrid flash storage serves customers who want the option to deploy the speed of flash storage where they need it while using more affordable hard disk drives (HDDs) to address capacity requirements. NetApp hybrid arrays include the FAS series of unified storage systems and the E-Series of block storage offerings.

Converged Infrastructure

Backed by one of the most successful alliances in the industry, FlexPod over the past five years has become the converged infrastructure of choice for many of the largest enterprises around the globe. FlexPod is a portfolio of pre-validated, integrated infrastructure solutions that combine the Cisco Unified Computing System integrated infrastructure and NetApp storage components. Today, customers and partners can choose from more than 100 validated application and infrastructure designs. These solutions are designed and validated to reduce deployment time, project risk, and the cost of IT. The FlexPod portfolio includes FlexPod Datacenter for core enterprise data centers and service providers, FlexPod Express for medium-sized businesses and branch offices, and FlexPod Select for data-intensive workloads. The portfolio is validated with leading hypervisors, operating systems, systems management tools, and cloud management platforms.

Data Management Software

Data ONTAP Storage Operating System

NetApp's Data ONTAP operating system software is the back bone to building a shared storage infrastructure and Data Fabric for the full breadth of business applications, data storage and protection requirements. NetApp introduced unified storage more than a decade ago with the industry's first unified SAN and NAS scale-out storage software. Today, customers use NetApp clustered Data ONTAP storage operating system as the foundation for data management across flash, disk and cloud storage resources. Customers can maintain control of their data across the hybrid cloud through consistent processes, features, and data management tools, regardless of where their data resides.

In June 2015, NetApp added to the capabilities of clustered Data ONTAP with FlashEssentials, a set of integrated technologies that increase flash performance and efficiency. This includes a flash-optimized read data path, inline compression, and zero-based inline deduplication. In November 2015, new inline deduplication capabilities were announced that extend the life of flash media, especially for customers with VDI workloads. In storage test scenarios, NetApp has demonstrated the ability to reduce capacity requirements by as much as 30:1, enabling customers to transition to flash using less storage and driving down overall cost. This update also included the Copy-free Transition capability, which allows customers to shift from earlier versions of Data ONTAP to clustered Data ONTAP with in-place data conversion.

In early fiscal 2017, we expect to launch the latest release of ONTAP software, which will be called NetApp ONTAP 9. It will simplify customers' IT transformations to modern data centers and hybrid cloud environments. Customers can choose the architecture of their choice, (engineered systems, software-defined storage, or cloud,) all with industry-leading efficiency, performance, and density for flash environments; rapid and simplified deployment; and greater data protection and security. With this release, we also expect to change the naming framework for our Data ONTAP operating system to a single family name for the product (ONTAP). The ONTAP 9 product, which will run on AFF and FAS systems, will replace what was formerly called clustered Data ONTAP. ONTAP Cloud for AWS will be the new name for Cloud ONTAP. In addition, we expect to introduce NetApp ONTAP Select, a software-defined deployment of ONTAP that will run on commodity servers.

SANtricity Storage Operating System

The NetApp SANtricity operating system provides superior performance, reliability, and data protection for application-driven workloads that run on NetApp EF-Series and E-Series platforms. It allows customers to optimize performance on the fly, with adaptive caching algorithms to achieve high IOPS and throughput. Installed on a million systems worldwide, the SANtricity OS is field-proven. In addition, SANtricity Storage Manager offers a powerful, easy-to-use interface for administering E-Series storage systems. With SANtricity software, storage administrators can achieve maximum performance and utilization of storage through extensive configuration flexibility and custom performance tuning. The newest release of the SANtricity OS, announced in April 2016, is optimized for the new generations of data analytics applications.

SolidFire Element Operating System

The NetApp SolidFire Element OS is at the core of every SolidFire infrastructure and is optimized for the key storage requirements of a next-generation data center. Scale-out functionality enables seamless and granular growth to meet business demands by adding capacity and performance for each new business. Customers have complete control of utilization performance to optimize their infrastructure by managing performance independent of capacity. With automated management, IT organizations can respond to business demands rapidly with on-the-fly adjustments. Helix data protection provides assurance for workload and data consolidation. Always on deduplication, compression, and thin provisioning maximize total cost of ownership by driving down requirements for storage space and power costs.

Object Storage Software

NetApp StorageGRID® Webscale software allows organizations to store and manage massive amounts of data worldwide, on premises and in the cloud. StorageGRID Webscale is a purpose-built, patented, software-defined storage solution for large archives, media repositories, and web data stores. The sophisticated StorageGRID Webscale policy engine provides automated data placement

across storage tiers, physical sites, and hybrid clouds. It can be tuned according to customers' performance and availability requirements and optimized for cost as data ages. Real-time auditing provides continuous and active monitoring for service-level agreement verification and reporting. NetApp enables support for Amazon Simple Storage Service (S3) as a storage tier to StorageGRID Webscale, providing a scalable, highly durable object storage solution for long-term archives.

Backup and Data Protection Solutions

NetApp offers a range of products to protect customers' valuable data and applications. These provide optimal availability and IT efficiency while safeguarding data assets.

AltaVault® Cloud-integrated Solutions

In May 2015, NetApp introduced AltaVault, previously SteelStore, cloud-integrated storage solutions and services, which provide customers with the ability to quickly backup data to any cloud at up to 90 percent less cost than on-premises solutions. AltaVault can send data with ease to NetApp StorageGRID Webscale object storage software and most public and private object stores, providing durable, cost-effective, private cloud archives at web scale. In October 2015, NetApp was one of the first partners to announce support for Amazon S3 storage through integration with AltaVault. This gives customers an affordable option for cloud storage that can be quickly accessed.

With AltaVault, customers have the power to tap into cloud economics while preserving investments in existing backup infrastructure and meeting their backup and recovery service levels. AltaVault is offered in three deployment models to meet customer needs. AltaVault physical appliances are often deployed in the data center to protect large volumes of data. These datasets typically require the highest levels of performance and scalability available. AltaVault virtual appliances, with support for VMware and Hyper-V, are an ideal solution for medium-sized businesses that want to get started with cloud backup or for enterprises that want to protect branch offices and remote offices with the same level of protection they enjoy in the data center. AltaVault cloud-based appliances on AWS and Azure are designed to offer an efficient and secure approach to backing up cloud-based workloads. Companies without a secondary data center or those looking for a low-cost tertiary recovery site also can use them for disaster recovery purposes.

NetApp Integrated Data Protection (IDP) Solutions

NetApp Integrated Data Protection (IDP) Solutions, embedded within the ONTAP operating system, ensure customer data is available when and where it's needed. Customers can scale their NetApp data protection capabilities across applications, virtual infrastructures, and cloud architectures.

With IDP, customers lower their cost by purchasing and maintaining fewer systems for data protection. They benefit from controlled data access with secure multi-tenancy and military-grade (AES-256) encryption and proven key-management solutions.

In November 2015, NetApp announced SnapCenter software, a new offering that helps enterprises simplify management of application-specific data protection at scale. Enabling efficient copies is a key element of data protection in the hybrid cloud, spanning backup, restore and disaster recovery of primary data. The new software allows customers to consolidate and centralize the backup and cloning of multiple applications and multiple servers into one efficient operations center. In March 2016, we added incremental improvements to support not only SQL applications, but also Oracle Database on Linux.

Business Continuity and High-Availability Solutions include:

- SnapMirror® data replication technology which provides disaster recovery protection and simplifies the management of data replication. SnapMirror for SVM adds the functionality to replicate NetApp Storage Virtual Machines (SVM), enabling customers to establish consistent replication policies for all volumes within an SVM.

- MetroCluster™ continuous-availability and disaster recovery software which delivers zero data loss, transparent failover protection, and nondisruptive upgrades at distances up to up to 300km.

Disk-to-Disk Backup and Recovery Solutions include:

- SnapVault® software which speeds and simplifies backup and data recovery, protecting data at the block level.

- SnapRestore® data recovery software which uses stored Data ONTAP Snapshot copies to recover anything from a single file to multi-terabyte volumes, in seconds.

Application-Aware Backup and Recovery Solutions for Application and Backup Administrators include:

- The SnapManager® and SnapDrive management software family which streamlines storage management and simplifies configuration, backup, and restore operations with deep application integration.

Compliance includes:

- SnapLock® compliance software which is a flexible data permanence solution for meeting strict data retention regulations or internal IT governance policies.

OnCommand® Management Software and Management Integration Tools

The NetApp OnCommand storage management software portfolio incorporates a broad range of data management tools for NetApp and multivendor storage. These products help our customers' transition to the hybrid cloud. They improve visibility and allow customers to manage, monitor, and optimize their hybrid cloud environments. The portfolio includes:

- OnCommand Cloud Manager which provides a simplified management interface for NetApp Cloud ONTAP service and NetApp Private Storage (NPS) for Cloud solutions. It allows customers to manage and track cloud resources within AWS, and provision and monitor Cloud ONTAP instances from one central console, including establishing replication relationships.

- OnCommand Workflow Automation which improves productivity by automating repeatable manual storage-management processes. It enables users to construct, customize, publish, and activate a broad range of storage workflows, including one-click automation and deployment of applications from VMware®, Oracle®, Microsoft®, SAP®, Citrix and others. It lowers the cost of storage management while fostering the use of best practices.

- OnCommand Unified Manager which provides a single dashboard to confirm the health of clustered Data ONTAP storage availability, capacity, performance and data protection relationships. It integrates with OnCommand Workflow Automation to automate storage tasks and data protection processes.

- OnCommand System Manager, developed for midsize organizations or smaller environments within larger enterprises and service providers, which delivers device-level management for NetApp AFF, FAS and other ONTAP based storage systems. It is optimized for IT generalists who need streamlined management, an easy-to-use interface, and best-practice workflows.

- OnCommand Insight storage resource management which provides end-to-end multivendor storage management, with a view of performance metrics, including application, datastore, virtual machine, and storage infrastructure performance. It enables customers to improve capacity planning, accelerate consolidation projects, and meet internal business reporting expectations. This innovative tool also allows users to discover orphaned and underutilized storage and detect risks to their environments.

FlexArray® Storage Virtualization Software

FlexArray software enables FAS8000 systems to virtualize existing EMC, HP, Hitachi, and NetApp E-Series arrays to unify and streamline IT operations. It helps customers implement a software-defined storage strategy across heterogeneous storage assets by accelerating provisioning and data management. Customers can transform existing arrays to create storage that spans private, public, and hybrid clouds. It reduces capacity requirements on arrays by more than 35% and increases the usefulness of current storage.

NetApp Private Storage (NPS) for Cloud

NetApp Private Storage for Cloud is a family of enterprise storage solutions that lets customers use multiple industry-leading clouds and maintain complete control over their data on dedicated storage systems from NetApp. In this approach, customer data resides on NetApp storage "next to", rather than "in", the cloud provider's environment. The customer-owned NetApp system is co-located in data centers managed by our partner, Equinix, which has data centers located next to major networks and in close proximity to major cloud providers including AWS, Microsoft Azure and IBM SoftLayer.

NPS for Cloud eliminates time-consuming, costly data migrations. Customers can turn off connectivity to one cloud and connect to another in minutes, without having to move their data.

OpenStack® Contributions

NetApp is a Gold Member of the OpenStack Foundation, a global collaboration which supports the creation of an open-source cloud operating system. OpenStack is a global collaboration of developers and cloud computing technologists producing a ubiquitous open-source cloud computing platform for public and private clouds.

Cloud services based on OpenStack software, in particular those for enterprise applications, require a robust storage infrastructure that is available, efficient, and protected. NetApp storage integration with OpenStack makes deployment of cloud services simpler, faster, and more scalable. NetApp drivers for OpenStack reduce the integration burden for IT departments deploying cloud services and enable high-value services and tight service-level agreements.

Professional and Support Services

NetApp and our ecosystem of partners deliver a full portfolio of professional and technical services that enable customers to achieve greater business value from NetApp products and solution investments.

Our professional services team and certified services partners have the expertise to assist customers with each phase of their IT lifecycle, from planning next-generation storage systems and deploying new technology to optimizing the operational efficiency of existing infrastructures.

Technical support services ensure our products operate efficiently and benefit from the most up-to-date software to help customers minimize downtime for systems running business-critical applications. Our services organization also provides in-depth guidance and education that include extensive access to our global technical resources and intellectual property. Customers can choose from a number of support options including direct touch, web-based My AutoSupport® service, training on our product and solutions and an active online community of customers.

NetApp utilizes a global, integrated model to provide consistent service delivery and global support during every phase of the customer engagement, including strategy, assessment and analysis, planning and design, installation, implementation, integration, optimization, ongoing support, and remote management and monitoring.

Sales, Principal Markets, and Distribution Channels

We market and sell our products in numerous countries throughout the world. To increase visibility of NetApp in the broader IT segment, we continue to make investments in our multiyear branding and awareness campaigns.

Our diversified customer base spans industry segments and vertical markets such as energy, financial services, government, high technology, internet, life sciences, healthcare services, manufacturing, media, entertainment, animation, video postproduction, and telecommunications. NetApp focuses primarily on the data management and storage markets. We design our products to meet the needs of our broad customer base – from large enterprises to midsize customers.

NetApp uses a multichannel distribution strategy. We sell our products and services to end-user business customers and service providers through a direct sales force and an ecosystem of partners. We work with a wide range of partners for our customers – including technology partners, value-added resellers, system integrators, OEMs, service providers and distributors. During fiscal 2016, sales through our indirect channels represented 77% of our net revenues. Our global partner ecosystem is critical to NetApp's growth and success. We are continually strengthening existing partnerships and investing in new ones to ensure we are meeting the evolving needs of our customers.

As of April 29, 2016, our worldwide sales and marketing functions consisted of approximately 5,260 managers, sales representatives, and technical support personnel. We have field sales offices in approximately 45 countries. Sales to customers Arrow Electronics, Inc. and Avnet, Inc., which are distributors, accounted for 22% and 19% of our net revenues, respectively, in fiscal 2016. Information about sales to and accounts receivables from our major customers, segment disclosures, foreign operations, and net sales attributable to our geographic regions is included in Note 16 – Segment, Geographic, and Significant Customer Information of the Notes to Consolidated Financial Statements.

Seasonality

We have historically experienced a decline in revenues in the first quarter of our fiscal year, as the sales organization spends time developing new business after higher close rates in the fourth quarter, and because sales to European customers are historically weaker during the summer months. During the second quarter of our fiscal year, we have historically experienced increased sales, driven by the government sector, concurrent with the end of the U.S. federal government's fiscal year in September, as well as an increase in business from European markets. We derive a majority of our revenue in any given quarter from orders booked in the same quarter. Bookings and revenues typically follow intra-quarter seasonality patterns weighted toward the back end of the quarter.

Backlog

We manufacture products based on a combination of specific order requirements and forecasts of our customers' demand. Orders are generally placed by customers on an as-needed basis. A substantial portion of our products is sold on the basis of standard purchase orders that are cancellable prior to shipment without penalty. In certain circumstances, purchase orders are subject to change with respect to quantity of product or timing of delivery resulting from changes in customer requirements. Our business is characterized by seasonal and intra-quarter variability in demand, as well as short lead times and product delivery schedules. Accordingly, backlog at any given time might not be a meaningful indicator of future revenue.

Manufacturing and Supply Chain

We have outsourced manufacturing operations to third parties located in Memphis, Tennessee; San Jose, California; Guadalajara, Mexico; San Antonio, Texas; Schiphol Airport, The Netherlands; Komarom and Tiszaujvaros, Hungary; Wuxi and Tianjin, China; Taoyuan City, Taiwan; and Singapore. These operations include materials procurement, commodity management, component engineering, test engineering, manufacturing engineering, product assembly, product assurance, quality control, final test, and global logistics. We rely on a limited number of suppliers for materials, as well as several key subcontractors for the production of certain subassemblies and finished systems. We use multiple vendors and have our products manufactured in a number of locations wherever possible to mitigate our supply chain risk. Our strategy has been to develop close relationships with our suppliers, maximizing the exchange of critical information and facilitating implementation of joint quality programs. We use contract manufacturers for the production of major subassemblies and final system configuration. This manufacturing strategy minimizes capital investments and overhead expenditures while creating flexibility for rapid expansion.

We were recently recertified to International Organization for Standardization (ISO) 9001:2008 and ISO 14001:2004 certifications on October 8, 2015, and continue to be ISO 9001 and ISO 14001 certified.

Research and Development

We conduct research and development activities in various locations throughout the world. Total research and development expenses were $861 million, $920 million and $918 million in fiscal 2016, 2015 and 2014, respectively. These costs consist primarily of personnel and related costs incurred to conduct product development activities. Although we develop many of our products internally, we may acquire technology through business combinations or through licensing from third parties when appropriate. We believe that technical leadership is essential to our success, and we expect to continue to commit substantial resources to research and development.

Competition

We compete with many companies in the markets we serve, including established public companies, newly public companies with a strong flash focus, and new market entrants addressing the growing opportunity for hyperconverged systems. Some offer a broad spectrum of IT products and services (full-stack vendors) and others offer a more limited set of storage and data management products or services.

Technology trends, such as the emergence of hosted (or cloud) storage, software as a service (SaaS) and flash storage are driving significant changes in storage architectures and solution requirements. Cloud service providers, led by AWS, provide customers storage as an operating expense, rather than storage systems capital expenditure, for the customers' data centers, which competes with more traditional storage offerings. While the short- and long-term impact of these evolving trends cannot be predicted, NetApp is confident that our customers recognize the value in our cloud strategy. Our strategy includes building relationships with these new classes of providers, and to date, we have established relationships with more than 300 cloud service providers and hyperscaler providers, including AWS, Google, IBM SoftLayer and Microsoft Azure.

The competitive storage landscape was further disrupted in 2015 by the October 2015 announcement that privately held Dell Inc. planned to acquire publicly traded EMC Corporation, one of our primary competitors. As of this filing, that transaction is still pending regulatory and shareholder approvals. Also in October 2015, HP split its business into two entities, one of which, HP Enterprise, continues to focus on the storage marketplace and compete with NetApp. Another competitor, Pure Storage, went public in October 2015.

In addition to the competitors above, we compete against HDS, IBM, Kaminario, Nimble Storage, Nimbus Data, Tegile, Tintri and Violin Memory. In the OEM market we compete against many of those same companies, as well as Seagate. Our current and potential competitors may establish cooperative relationships among themselves or with third parties, including some of our partners. It is possible that new competitors or alliances among competitors might emerge and rapidly acquire significant market share.
We consider innovation and our technology partnerships key to our competitive differentiation. We believe our competitive advantage also includes the nature of the relationships we form with our customers and partners worldwide. We strive to deliver an outstanding experience in every interaction we have with our customers and partners through our product, service, and support offerings, which enable us to provide our customers with a full range of expertise before, during, and after their purchase.

Proprietary Rights

Over the years, NetApp has been widely recognized for its innovation including recognition as one of the "World's Most Innovative Companies" (*Forbes®)*, a top 300 United States patent holder (Intellectual Property Owners Association) and one of the best "Quality Over Quantity" patent portfolios in its industry (*IEEE Spectrum®*). We generally rely on patent, copyright, trademark, trade secret and contract laws to establish and maintain our proprietary rights in our technology and products. While our intellectual property rights are important to our success, we believe that our business as a whole is not materially dependent on any particular patent, trademark, copyright, license or other intellectual property right. We have been granted or own by assignment

over 1,900 patents issued by, and have over 680 patent applications pending with, the U.S. Patent and Trademark Office, as well as a corresponding number of international patents and patent applications. While the durations of our patents vary, we believe that the durations of our patents are adequate relative to the expected lives of our products.

NetApp, the NetApp logo, Active IQ, AltaVault, ASUP, AutoSupport, Campaign Express, Cloud ONTAP, clustered Data ONTAP, Customer Fitness, Data ONTAP, DataMotion, Element, Fitness, Flash Accel, Flash Cache, Flash Pool, FlashRay, FlexArray, FlexCache, FlexClone, FlexPod, FlexScale, FlexShare, FlexVol, FPolicy, Fueled by SolidFire, GetSuccessful, Go Further, Faster, LockVault, Manage ONTAP, Mars, MetroCluster, MultiStore, NetApp Insight, OnCommand, ONTAP, ONTAPI, RAID DP, RAID-TEC. SANtricity, SecureShare, Simplicity, Simulate ONTAP, SnapCenter, Snap Creator, SnapCopy, SnapDrive, SnapIntegrator, SnapLock, SnapManager, SnapMirror, SnapMover, SnapProtect, SnapRestore, Snapshot, SnapValidator, SnapVault, SolidFire, SolidFire Helix, Helix Design, StorageGRID, Tech OnTap, Unbound Cloud, WAFL and other names are trademarks or registered trademarks of NetApp Inc., in the United States and/or other countries.

We generally enter into confidentiality agreements with our employees, resellers, customers, and suppliers. In addition, through various licensing arrangements, we receive certain rights to intellectual property of others. We expect to maintain current licensing arrangements and to secure licensing arrangements in the future, as needed and to the extent available on reasonable terms and conditions, to support continued development and sales of our products and services. Some of these licensing arrangements require or might require royalty payments and other licensing fees. The amount of these payments and fees might depend on various factors, including but not limited to the structure of royalty payments; offsetting considerations, if any; and the degree of use of the licensed technology.

The industry in which we compete is characterized by rapidly changing technology, a large number of patents, and frequent claims and related litigation regarding intellectual property rights, and we may be exposed to various risks related to such claims or legal proceedings. If we are unable to protect our intellectual property, we might be subject to increased competition that could materially and adversely affect our operating results.

Environmental Disclosure

We are committed to the success of our customers and partners, to delivering value to our stockholders, and to positively affecting the communities where our employees work and live. We firmly believe that we can accomplish these objectives concurrently with our commitment to sustainability. We are committed to the prevention of pollution; efficient use of natural resources; and minimizing, relative to the growth of the company, the environmental impacts from our operations, products, and services, as well as complying with laws and regulations related to these areas. Our environmental management system provides the framework for setting, monitoring, and continuously improving our environmental goals and objectives.

We are voluntarily measuring, monitoring, and publicly reporting our scope 1 and scope 2 greenhouse gas emissions and participate in the Carbon Disclosure Project (CDP). The CDP is a global standardized mechanism by which companies report their greenhouse gas emissions to institutional investors. We have established employee commuter programs and education and awareness campaigns, and we continuously seek to optimize the energy efficiency of our buildings, labs, and data centers. At both the global and regional/state levels, various laws and regulations have been implemented or are under consideration to mitigate the effects of climate change caused by greenhouse gas emissions. Environmental laws are complex, change frequently, and have tended to become more stringent over time. It is often difficult to estimate the future impact of environmental matters. Based on current information, we believe that our primary risk related to climate change is the risk of increased energy costs. We are not subject to a cap and trade system or any other mitigation measures that would be material to our operations in the near future. Additionally, we have implemented disaster recovery and business resiliency measures to mitigate the physical risks our facilities, business, and supply chain might face as a consequence of severe weather-/climate-related phenomena such as earthquakes, floods, droughts, and other such natural occurrences.

We are also subject to other federal, state, and local regulations regarding workplace safety and protection of the environment. Various international, federal, state, and local provisions regulate the use and discharge of certain hazardous materials used in the manufacture of our products. Failure to comply with environmental regulations in the future could cause us to incur substantial costs or subject us to business interruptions. We believe we are substantially compliant with all applicable environmental laws. All of our products meet the requirements of the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH); Waste Electrical and Electronic Equipment (WEEE); Restriction of Hazardous Substances (RoHS); and China RoHS directives. We have maintained an environmental management system since December 2004. As part of ISO 14001 requirements, we set local environmental performance goals such as reducing energy use per square foot and minimizing waste generated on site, that are aligned with our overall corporate strategy. We also conduct an annual review and third-party verified audits of our operations, and we monitor environmental legislation and requirements to help make sure we are taking necessary measures to remain in compliance with applicable laws, not only in our operations but also for our products.

Employees

As of April 29, 2016, we had approximately 12,030 employees, (including approximately 1,110 employees who have been notified that their employment is being terminated as part of our March 2016 restructuring plan) of which 5,260 were in sales and marketing, 1,250 were in customer support, 3,050 were in research and development, 190 were in manufacturing operations and 1,170 were in finance and administration. None of our employees are represented by a labor union and we consider relations with our employees to be good. Competition for technical personnel in the industry in which we compete is intense. We believe that our future success depends in part on our continued ability to hire, assimilate, and retain qualified personnel. To date, we believe that we have been successful in recruiting qualified employees, but there is no assurance that we will continue to be successful in the future.

Executive Officers

Our executive officers and their ages as of June 1, 2016, are as follows:

Name	Age	Position
George Kurian	49	Chief Executive Officer
Ronald J. Pasek	55	Executive Vice President and Chief Financial Officer
Henri Richard	59	Executive Vice President, Worldwide Field and Customer Operations
Joel D. Reich	57	Executive Vice President, Product Operations
Matthew K. Fawcett	48	Senior Vice President, General Counsel and Secretary

George Kurian was appointed chief executive officer on June 1, 2015 and president on May 20, 2016. He joined our board of directors in June 2015. From September 2013 to May 2015, he was executive vice president of product operations, overseeing all aspects of technology strategy, product and solutions development across our product portfolio. Mr. Kurian joined NetApp in April 2011 as the senior vice president of the storage solutions group and was appointed to senior vice president of the Data ONTAP group in December 2011. Prior to NetApp, from 2002 to 2011, Mr. Kurian held several positions at Cisco Systems, including most recently vice president and general manager of the application networking and switching technology group. From 1999 to 2002, Mr. Kurian was the vice president of product management and strategy at Akamai Technologies. Prior to that, he was a management consultant with McKinsey and Company, and led software engineering and product management teams at Oracle Corporation. Mr. Kurian holds a BS degree in electrical engineering from Princeton University and an MBA from Stanford University.

Ronald J. Pasek joined NetApp in April 2016 as executive vice president and chief financial officer, overseeing the finance, customer leasing, workplace resources, internal audit, and IT functions. Mr. Pasek served as senior vice president, finance and chief financial officer of Altera Corporation, a worldwide provider of programmable logic devices, from December 2009 until its acquisition by Intel in December 2015. Mr. Pasek was previously employed by Sun Microsystems, where he most recently served as vice president and corporate treasurer. In his 19 years at Sun Microsystems, he also held a variety of other positions in finance, including vice president of worldwide field finance, worldwide manufacturing, and U.S. field finance. Mr. Pasek is the Chairman of the board of directors of Spectra7 Microsystems Inc., a Canadian publicly traded consumer connectivity company. Mr. Pasek holds a BS degree from San Jose State University and an MBA from Santa Clara University.

Henri Richard joined NetApp in May 2016 as executive vice president of worldwide field and customer operations, leading NetApp's global field and customer success operations, which supports the company's ecosystem of channel, alliance, and service partners and perform customer-facing functions. Before joining NetApp, from April 2013 to May 2016, he was senior vice president of worldwide sales and support at SanDisk Corporation. Prior to SanDisk, Mr. Richard served as senior vice president of worldwide sales and marketing at Freescale Semiconductor from September 2007 to April 2013. Mr. Richard brings 30-years of experience serving in global executive roles at companies including Seagate, IBM, WebGain and AMD. He started his career in IT with Informatique Haute Performance in Paris, France, a company he founded. Mr. Richard is a member of the board of directors of Ultratech Inc., a publicly traded advance packaging and laser processing company. Henri holds a bachelor of science degree from the Ecole Nationale de Radiotechnique et d'Electronique Appliquee in Asnieres, France.

Joel D. Reich joined NetApp in 2002 and was appointed executive vice president of product operations in June 2015. He is responsible for overseeing the strategy, development and manufacturing operations of the NetApp product and solutions portfolio. From April 2011 to June 2015, Mr. Reich served as NetApp's senior vice president of the Hyperscale Storage Group. Before that time, he served in various NetApp Data ONTAP engineering leadership roles. Before joining NetApp, Joel was vice president of marketing and product operations for HighGround Systems, Inc. He also held the position of director of product management at Data General Corporation and EMC Corporation and was director of sales and marketing for Conner Peripherals Storage Systems Group. Mr. Reich holds a bachelor's degree from Lehigh University.

Matthew K. Fawcett joined the company in September 2010 as senior vice president, general counsel, and secretary. Prior to joining NetApp, from 1999 to August 2010, Mr. Fawcett served in various legal positions at JDS Uniphase Corporation, an optical components company, including as senior vice president, general counsel, and corporate secretary. Prior to joining JDSU, Mr. Fawcett was counsel at Fujitsu and worked in private practice at Morrison & Foerster LLP. Mr. Fawcett is a member of the boards of the Association of Corporate Counsel and the Law Foundation of Silicon Valley. Mr. Fawcett holds a BA degree from the University of California at Berkeley and a JD degree from the University of California at Los Angeles.

Additional Information

Our Internet address is *www.netapp.com.* We make available through our Internet website our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, amendments to those reports and other documents filed or furnished pursuant to the Exchange Act of 1934, as soon as reasonably practicable after we electronically file such materials with, or furnish them to, the SEC.

The SEC maintains an Internet site (*www.sec.gov*) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The public also may read and copy these filings at the SEC's Public Reference Room at 100 F Street N.E., Washington, DC 20549. Information about this Public Reference Room is available by calling (800) SEC-0330.

Item 1A. *Risk Factors*

The following risk factors and other information included elsewhere in this Annual Report on Form 10-K should be considered and understood in the context of the following risk factors, which describe circumstances that may materially harm our future business, operating results or financial condition. The following discussion reflects our current judgment regarding the most significant risks we face. These risks can and will change in the future.

Our business may be harmed by trends in the storage market or if we are unable to keep pace with rapid industry, technological and market changes.

Our industry and the markets in which we compete have historically experienced significant growth due to the increase in the demand for storage solutions by consumers, enterprises and government bodies around the world, and the resultant purchases of storage solutions to address this demand. However, despite continued data growth, the storage market did not experience growth in calendar years 2013, 2014 or 2015 due to a combination of customers delaying purchases in the face of technology transitions, increased storage efficiency, and changing economic and business environments. At the same time that customers are navigating through their IT transformations, which leverage modern architectures and hybrid cloud environments, they are also reducing IT budgets, looking for simpler solutions, and rethinking how they consume IT. This evaluation is diverting spending towards transformational projects and architectures like flash, hybrid cloud, software as a service, converged infrastructure, and software defined storage. Our business may be adversely impacted if we are unable to keep pace with rapid industry, technological or market changes or if our Data Fabric strategy is not accepted in the marketplace. As a result of these and other factors discussed in the report, our revenue may grow at a slower rate than in past periods, or may decline as it did in fiscal years 2014, 2015 and 2016, on a year-over year basis. The future impact of these trends on both short-term and long-term growth patterns is uncertain. If the general historical rate of industry growth declines, if the growth rates of the specific markets in which we compete decline, and/or if the consumption model of storage changes and our new and existing products and solutions do not receive customer acceptance, our business, operating results and financial condition could suffer.

If we are unable to develop, introduce and gain market acceptance for clustered Data ONTAP-based products or other new products while managing the transition from older products, or if we cannot provide the expected level of quality, service and support for our new products, our business, operating results and financial condition could be harmed.

Our future growth depends upon the successful development and introduction of new hardware and software products. Due to the complexity of storage subsystems and appliances and the difficulty in gauging the engineering effort required to produce new products, such products are subject to significant technical and quality control risks.

We are currently devoting considerable effort and resources to introduce and gain customer acceptance for our clustered Data ONTAP (cDOT)-based products, as well as to develop new generations of our ONTAP products. The cDOT storage operating system is the foundation for data management across flash, disk and cloud storage systems and represents a fundamental and revolutionary change to our solution architecture and to our Data Fabric strategy. Over time, our goal is to replace our Data ONTAP 7-Mode technology with cDOT and new generations of ONTAP. We face considerable challenges as we continue to develop and market cDOT, including, without limitation, cost and complexity associated with migrating customer data and applications from legacy systems to cDOT-based systems, developing additional features for cDOT currently available with Data ONTAP 7-Mode and potentially required by our customers, increasing sales of cDOT through our channel and maintaining service, support and customer relationships as we replace Data ONTAP 7-Mode with cDOT.

If we are unable, for technological, customer reluctance or other reasons, to develop, introduce and gain market acceptance for cDOT and other next-generation ONTAP products, or any new products, as and when required by the market and our customers, our business, operating results and financial condition could be materially and adversely affected.

New or additional product introductions, including new software and flash product offerings, such as Cloud ONTAP, StorageGRID Webscale, all flash FAS, AltaVault, and, with our February 2, 2016 acquisition, SolidFire, subject us to additional financial and operational risks, including our ability to forecast customer preferences and/or demand, our ability to expand production capacity to meet the demand for new products, our ability to successfully manage the transition from older products, and our ability to forecast the impact of customers' demand for new products or the products being replaced. In addition, as new or enhanced products are introduced, we must also avoid excessive levels of older product inventories and related components and ensure that enough supplies of new products can be delivered to meet customers' demands. Further risks inherent in new product introductions include the uncertainty of price-performance relative to products of competitors, competitors' responses to the introductions, delays in sales caused by the desire of customers to evaluate new products for extended periods of time and our partners' investment in selling our new products. If these risks are not managed effectively, we could experience material risks to our operations, financial condition and business model.

As we enter new or emerging markets, we will likely increase demands on our service and support operations and may be exposed to additional competition. We may not be able to provide products, service and support to effectively compete for these market opportunities.

Our sales and distribution structure makes forecasting revenues difficult and, if disrupted, could harm our operating results.

Our business and sales models make revenues difficult to forecast. We sell to a variety of customers, with a corresponding variety of sales cycles. In addition, the majority of our sales are made and/or fulfilled indirectly through channel partners, including value-added resellers, systems integrators, distributors, original equipment manufacturers (OEMs) and strategic business partners. During fiscal 2016, revenues generated from sales through our indirect channel accounted for 77% of net revenues. This structure significantly complicates our ability to forecast future revenue, particularly within any particular fiscal quarter or year. Moreover, our relationships with our indirect channel partners are critical to our success. The loss of one or more of our key indirect channel partners in a given geographic area or the failure of our channel partners to promote our products could harm our operating results, as qualifying and developing new indirect channel partners typically require a significant investment of time and resources before acceptable levels of productivity are met. If we fail to maintain our relationships with our indirect channel partners, if their financial condition, business or customer relationships were to weaken, if they fail to comply with legal or regulatory requirements, or if we were to cease to do business with them for these or other reasons, our business, operating results and financial condition could be harmed.

Continuing uncertain economic and political conditions restrict our visibility and may harm our operating results, including our revenue growth and profitability.

The continuing global economic uncertainty and political and fiscal challenges in the United States (U.S.) and abroad have, among other things, limited our ability to forecast future demand for our products, contributed to increased periodic volatility in the computer, storage, and networking industries at large, as well as the information technology (IT) market, and could constrain future access to capital for our suppliers, customers and partners. The impacts of these circumstances are global and pervasive, and the timing and nature of any ultimate resolution of these matters remain highly uncertain. Consequently, we expect these concerns to challenge our business for the foreseeable future, and cause harm to our operating results. Such conditions have resulted, and may in the future again result, in failure to meet our forecasted financial expectations and to achieve historical levels of revenue growth.

Our quarterly operating results may fluctuate materially, which could harm our common stock price.

Our operating results have fluctuated in the past and will continue to do so, sometimes materially. All of the matters discussed in this Risk Factors section could impact our operating results in any fiscal quarter or year. In addition to those matters, we face the following issues, which could impact our quarterly results:

- Seasonality, such as our historical seasonal decline in revenues in the first quarter of our fiscal year and seasonal increase in revenues in the second quarter of our fiscal year, with the latter due in part to the impact of the U.S. federal government's September 30 fiscal year end on the timing of its orders; and

- Linearity, such as our historical intra-quarter bookings and revenue pattern in which a disproportionate percentage of each quarter's total bookings and related revenue occur in the last month of the quarter.

If our operating results fall below our forecasts and the expectations of public market analysts and investors, the trading price of our common stock may decline.

Our gross margins vary.

Our gross margins reflect a variety of factors, including competitive pricing, component and product design, the volume and relative mix of product, software maintenance, hardware maintenance and other services revenues. Increased component costs, increased pricing pressures, the relative and varying rates of increases or decreases in component costs and product prices, changes in product, software maintenance, hardware maintenance and other services revenue mix or decreased volume could harm our revenues, gross margins or earnings. Our gross margins are also impacted by the cost of any materials that are of poor quality and our sales and distribution activities, including, without limitation, pricing actions, rebates, sales initiatives and discount levels, and the timing of service contract renewals.

The costs of third-party components comprise a significant portion of our product costs. While we generally have been able to manage our component and product design costs, we may have difficulty managing these costs if supplies of certain components become limited or component prices increase. Any such limitation could result in an increase in our product costs. An increase in component or design costs relative to our product prices could harm our gross margins and earnings.

We often incur expenses before we receive related benefits, and expenses may be difficult to reduce quickly if demand declines.

We base our expense levels in part on future revenue expectations and a significant percentage of our expenses is fixed. It is difficult to reduce our fixed costs quickly, and if revenue levels are below our expectations, operating results could be adversely impacted. During periods of uneven growth or decline, we may incur costs before we realize the anticipated related benefits, which could also harm our operating results. We have made, and will continue to make, significant investments in engineering, sales, service and support, marketing and other functions to support and grow our business. We are likely to recognize the costs associated with these investments earlier than some of the related anticipated benefits, such as revenue growth, and the return on these investments may be lower, or may develop more slowly, than we expect, which could harm our business, operating results and financial condition.

Increasing competition and industry consolidation could harm our business and operating results.

The storage and data management markets are intensely competitive and are characterized by rapidly changing technology and fragmentation. We compete with many companies in the markets we serve, including established public companies, newly public companies with a strong flash focus, and new market entrants addressing the growing opportunity for hyperconverged systems. Some offer a broad spectrum of IT products and services (full-stack vendors) and others offer a more limited set of storage and data management products or services. Technology trends, such as the emergence of hosted (or cloud) storage, software as a service (SaaS) and flash storage are driving significant changes in storage architectures and solution requirements. Cloud service providers, led by AWS, provide customers storage as an operating expense, rather than storage systems capital expenditure, for the customers' data centers, which meets rapidly evolving business needs and has changed the competitive landscape.

Competitors may develop new technologies or products in advance of us or establish business models or technologies disruptive to us. By extending our flash and software-defined storage offerings, we are competing in new segments with both traditional competitors and new competitors, particularly smaller emerging storage vendors. The longer-term potential and competitiveness of these emerging vendors remains to be determined. In cloud and converged infrastructure, we also compete with large well-established competitors.

For additional information regarding our competitors, see the section entitled "Competition" contained in Item 1 – Business of Part I of this Form 10-K. It is possible that new competitors or alliances among competitors might emerge and rapidly acquire significant market share or buying power. An increase in industry consolidation might result in stronger competitors that are better able to compete as full stack vendors for customers and achieve increased economies of scale in the supply chain. For example, in October 2015, Dell Inc. and EMC Corp. announced their agreement to merge. Also in October 2015, Hewlett-Packard Company split its business into two entities, one of which, HP Enterprise, continues to focus on the storage marketplace and compete with us. In addition, current and potential competitors have established or might establish cooperative relationships among themselves or with third parties, including some of our partners or suppliers.

If we are unable to maintain and develop relationships with strategic partners, our revenues may be harmed.

Our growth strategy includes developing and maintaining strategic partnerships with major third-party software and hardware vendors to integrate our products into their products and also co-market our products with them. A number of these strategic partners are industry leaders that offer us expanded access to segments of the storage and data management markets. However, there is intense competition for attractive strategic partners, and these relationships may not be exclusive, may not generate significant revenues and may be terminated on short notice. For instance, some of our partners are also partnering with our competitors, which may increase the availability of competing solutions and harm our ability to grow our relationships with those partners. Moreover, some of our partners, particularly large, more diversified technology companies, are also competitors, complicating our relationships. If we are unable to establish new partnerships or maintain existing partnerships, if our strategic partners favor their relationships with other vendors in the storage industry or if our strategic partners increasingly compete with us, we could experience lower than expected revenues, suffer delays in product development, or experience other harm to our business, operating results and financial condition.

If we do not achieve forecasted bookings in any quarter, our financial results could be harmed.

We derive a majority of our revenues in any given quarter from orders booked in the same quarter. Bookings typically follow intra-quarter seasonality patterns weighted toward the back end of the quarter. If we do not achieve the level, timing and mix of bookings consistent with our quarterly targets and historical patterns, or if we experience cancellations of significant orders, our financial results could be harmed.

A portion of our revenues is generated by large, recurring purchases from various customers, resellers and distributors. A loss, cancellation or delay in purchases by any of these parties has negatively affected us in the past, and in the future could negatively affect our revenues.

A significant portion of our net revenues are generated through sales to a limited number of distributors. We generally do not enter into binding purchase commitments with our customers, resellers and distributors for extended periods of time, and thus we may not be able to continue to receive large, recurring orders from these customers, resellers or distributors. For example, our reseller agreements generally do not require minimum purchases, and our customers, resellers and distributors can stop purchasing and

marketing our products at any time. In addition, unfavorable economic conditions may negatively impact the solvency of our customers, resellers and distributors or the ability of such customers, resellers and distributors to obtain credit to finance purchases of our products. If any of our key customers, resellers or distributors changes its pricing practices, reduces the size or frequency of its orders for our products, or stops purchasing our products altogether, our operating results and financial condition could be materially adversely impacted.

We rely on a limited number of suppliers for critical product components.

We rely on a limited number of suppliers for drives and other components utilized in the assembly of our products, including certain single source suppliers, which has subjected us, and could in the future subject us to price rigidity, periodic supply constraints, and the inability to produce our products with the quality and in the quantities demanded. Consolidation among suppliers, particularly within the semiconductor and disk drive industries, has contributed to price rigidity and may in the future create supply constraints. When industry supply is constrained, our suppliers may allocate volumes away from us and to our competitors, all of which rely on many of the same suppliers as we do. Accordingly, our operating results may be harmed.

Any disruption to our supply chain could materially harm our business, operating results and financial condition.

We do not manufacture our products or their components. Instead, we rely on third parties to make our products and critical components, such as disk drives, as well as for associated logistics. Our lack of direct responsibility for, and control over, these elements of our business, as well as the diverse international geographic locations of our manufacturing partners and suppliers, creates significant risks for us, including, among other things:

- Limited ability to control the quality, quantity and cost of our products or of their components;
- The potential for binding price or purchase commitments with our suppliers that are higher than market rates;
- Limited ability to adjust production volumes in response to our customers' demand fluctuations;
- Labor and political unrest at facilities we do not operate or own;
- Geopolitical disputes disrupting our supply chain;
- Business, legal compliance, litigation and financial concerns affecting our suppliers or their ability to manufacture and ship our products in the quantities, quality and manner we require; and
- Disruptions due to floods, earthquakes, storms and other natural disasters, particularly in countries with limited infrastructure and disaster recovery resources.

Such risks have in the past and could again in the future subject us to supply constraints, price increases and minimum purchase requirements and our business, operating results and financial condition could be harmed. The risks associated with our out-sourced manufacturing model are particularly acute when we transition products to new facilities or manufacturers, introduce and increase volumes of new products or qualify new contract manufacturers or suppliers, at which times our ability to manage the relationships among us, our manufacturing partners and our component suppliers, becomes critical. New manufacturers, products, components or facilities create increased costs and risk that we will fail to deliver high quality products in the required volumes to our customers. Any failure of a manufacturer or component supplier to meet our quality, quantity or delivery requirements in a cost-effective manner will harm our business, operating results and customer relationships.

Due to the global nature of our business, risks inherent in our international operations could materially harm our business.

A significant portion of our operations are located, and a significant portion of our revenues are derived, outside of the U.S. In addition, a substantial portion of our products are manufactured outside of the U.S., and we have research and development and service centers overseas. Accordingly, our business and our future operating results could be adversely affected by factors affecting our international operations, but not experienced in the U.S., including, among other things, local political or economic conditions, trade protection and export and import requirements, local labor conditions, transportation costs, government spending patterns, acts of terrorism, international conflicts and natural disasters in areas with limited infrastructure. In addition, due to the global nature of our business, we are subject to complex legal and regulatory requirements in the U.S. and the foreign jurisdictions in which we operate and sell our products, including antitrust and anti-competition laws, rules and regulations, and regulations related to data privacy. We are also subject to the potential loss of proprietary information due to piracy, misappropriation, or laws that may be less protective of our intellectual property rights than U.S. laws. Such factors could have an adverse impact on our business, operating results and financial condition.

We face exposure to adverse movements in foreign currency exchange rates as a result of our international operations. These exposures may change over time as business practices evolve, and they could have a material adverse impact on our financial results and cash flows. We utilize forward and option contracts in an attempt to reduce the adverse earnings impact from the effect of exchange rate fluctuations on certain assets and liabilities as well as certain anticipated foreign currency cash flows on a short-term basis. Our hedging strategies may not be successful, and currency exchange rate fluctuations could have a material adverse effect on our operating results. In addition, our foreign currency exposure on assets and liabilities for which we do not hedge could have a material impact on our operating results in periods when the U.S. dollar significantly fluctuates in relation to unhedged non-U.S. currencies in which we transact business.

Additional risks inherent in our international business activities generally include, among others, longer accounts receivable payment cycles and difficulties in managing international operations.

Moreover, in many foreign countries, particularly in those with developing economies, it is common to engage in business practices that are prohibited by our internal policies and procedures, or U.S. laws and regulations applicable to us, such as the Foreign Corrupt Practices Act. There can be no assurance that all of our employees, contractors and agents, as well as those companies to which we outsource certain of our business operations, will comply with these policies, procedures, laws and/or regulations. Any such violation could subject us to fines and other penalties, which could have a material adverse effect on our business, operating results and financial condition.

Changes in our effective tax rate resulting from adverse outcomes from examination of our income tax returns and/or changes in the tax regimes and related government policies and regulations in the countries in which we operate could adversely affect our results.

Our effective tax rate is influenced by a variety of factors, many of which are outside of our control. These factors include among other things, fluctuations in our earnings and financial results in the various countries and states in which we do business, the outcome of income tax audits and changes to the tax laws in such jurisdictions. Any of these factors could materially impact our operating results.

We receive significant tax benefits from sales to our non-U.S. customers. These benefits are contingent upon existing tax laws and regulations in the U.S. and in the countries in which our international operations are located. Future changes in domestic or international tax laws and regulations could adversely affect our ability to continue to realize these tax benefits. We have not provided for U.S. federal and state income taxes or foreign withholding taxes that may result from future remittances of undistributed earnings of foreign subsidiaries. President Obama and the U.S. Congress have called for comprehensive tax reform which, among other things, might change certain U.S. tax rules impacting the way U.S. based multinationals are taxed on foreign income. Additionally, on October 5, 2015, the Organisation for Economic Co-operation and Development (OECD), an international association of 34 countries, including the U.S., released the final reports from its Base Erosion and Profit Shifting (BEPS) Action Plans. The BEPS recommendations covered a number of issues, including country-by-country reporting, permanent establishment rules, transfer pricing rules and tax treaties. On October 21, 2015, the European Commission (EC) concluded its investigations into tax ruling practices of certain European Union (EU) member countries. The EC concluded that certain member countries had granted unlawful rulings that artificially reduced tax burdens and has ordered the recovery of the unpaid taxes. Future tax reform resulting from these developments may result in changes to long-standing tax principles, which could adversely affect our effective tax rate or result in higher cash tax liabilities.

We are routinely subject to income tax audits in the U.S. and several foreign tax jurisdictions. The U.S. and foreign tax authorities have questioned our intercompany transfer pricing arrangements during these audits. In recent years, several other U.S. companies have had their transfer pricing arrangements challenged as part of Internal Revenue Service (IRS) examinations, which have resulted in material proposed assessments and/or litigation with respect to those companies. If the ultimate determination of income taxes or at-source withholding taxes assessed under the IRS audits or audits being conducted in any other tax jurisdiction results in an amount in excess of the tax provision we have recorded or reserved for, our operating results, cash flows and financial condition would be adversely affected.

Our effective tax rate could also be adversely affected by different and evolving interpretations of existing law or regulations, which in turn would negatively impact our operating and financial results as a whole. Additionally, our effective tax rate could also be adversely affected if there is a change in international operations, our tax structure and how our operations are managed and structured, and as a result, we could experience harm to our operating results and financial condition.

Our success depends upon our ability to effectively plan and manage our resources and restructure our business in response to changing market conditions and market demand for our products, and such actions may have an adverse effect on our financial and operating results.

Our ability to successfully offer our products and services in a rapidly evolving market requires an effective planning, forecasting, and management process to enable us to effectively scale and adjust our business in response to fluctuating market opportunities and conditions.

In response to changes in market conditions and market demand for our products, we have in the past undertaken cost savings initiatives. For example, in March 2014, May 2015 and March 2016 we executed restructuring events designed to streamline our business, reduce our cost structure and focus our resources on key strategic opportunities. As a result, we have recognized substantial restructuring charges. We may in the future undertake initiatives that may include restructuring, disposing of, and/or otherwise discontinuing certain products, or a combination of these actions. Rapid changes in the size, alignment or organization of our workforce, including sales account coverage, could adversely affect our ability to develop, sell and deliver products and services as planned or impair our ability to realize our current or future business and financial objectives. Any decision to take these actions may result in charges to earnings associated with, among other things, inventory or other fixed, intangible or goodwill asset reductions (including, without limitation, impairment charges), workforce and facility reductions and penalties and claims from third party resellers or users of discontinued products. Charges associated with these activities would harm our operating results. In addition to the costs associated with these activities, we may not realize any of the anticipated benefits of the underlying restructuring activities.

If our products are defective, or are perceived to be defective as a result of improper use or maintenance, our gross margins, operating results and customer relationships may be harmed.

Our products are complex. We have experienced in the past, and expect to experience in the future, quality issues. Quality risk is most acute when we are introducing new products. Quality issues have and could again in the future cause customers to experience outages or disruptions in service, data loss or data corruption. If we fail to remedy a product defect, we may experience a failure of a product line, temporary or permanent withdrawal from a product or market, damage to our reputation, loss of revenue, inventory costs or product reengineering expenses and higher ongoing warranty and service costs, and these occurrences could have a material impact on our gross margins, business and operating results. In addition, we exercise little control over how our customers use or maintain our products, and in some cases improper usage or maintenance could impair the performance of our products, which could lead to a perception of a quality issue. Customers and we may experience losses that may result from or are alleged to result from defects in our products, which could subject us to claims for damages, including consequential damages.

If a data center or other third-party who relies on our products experiences a disruption in service or a loss of data, such disruption could be attributed to the quality of our products, thereby causing financial or reputational harm to our business.

Our clients, including data centers, SaaS, cloud computing and Internet infrastructure and bandwidth providers, rely on our products for their data storage needs. Our clients may authorize third-party technology providers to access their data on our systems. Because we do not control the transmissions between our clients, their customers, and third-party technology providers, or the processing of such data by third-party technology providers, we cannot ensure the complete integrity or security of such transmissions or processing. Errors or wrongdoing by clients, their customers, or third-party technology providers resulting in security breaches may be attributed to us.

A failure or inability to meet our clients' expectations with respect to security and confidentiality through a disruption in the services provided by these third-party vendors, or the loss of data stored by such vendors, could result in financial or reputational harm to our business to the extent that such disruption or loss is caused by, or perceived by our customers to have been caused by, defects in our products. Moreover, the risk of reputational harm may be magnified and/or distorted through the rapid dissemination of information over the Internet, including through news articles, blogs, chat rooms, and social media sites. This may affect our ability to retain clients and attract new business.

If a cybersecurity or other security breach occurs on our systems or on our end user customer systems, or if stored data is improperly accessed, customers may reduce or cease using our solutions, our reputation may be harmed and we may incur significant liabilities.

We store and transmit sensitive and proprietary data related to our products, our employees, customers, clients and partners (including third-party vendors such as data centers and providers of SaaS, cloud computing, and Internet infrastructure and bandwidth), and their respective customers, including intellectual property, books of record and personally identifiable information. It is critical to our business strategy that our infrastructure remains secure and is perceived by customers, clients and partners to be secure. There are numerous and evolving risks to cybersecurity and privacy, including criminal hackers, state-sponsored intrusions, industrial espionage, human error and technological vulnerabilities. Cybersecurity incidents or other security breaches could result in (1) unauthorized access to, or loss or unauthorized disclosure of, such information; (2) litigation, indemnity obligations, government investigations and other possible liabilities; (3) negative publicity; and (4) disruptions to our internal and external operations. Any of these could damage our reputation and public perception of the security and reliability of our products, as well as harm our business and cause us to incur significant liabilities. In addition, a cybersecurity incident or other security breach could result in other negative consequences, including remediation costs, disruption of internal operations, increased cybersecurity protection costs and lost revenues.

Our clients and customers use our platforms for the transmission and storage of sensitive data. We do not monitor or review the information or content that our clients and their customers upload and store, and, therefore, we have no direct control over the substance of the information or content stored within our platforms. If our employees, or our clients, partners or their respective customers use our platforms for the transmission or storage of personally identifiable or other sensitive information and our security

measures are breached as a result of third-party action, employee error, malfeasance, stolen or fraudulently obtained log-in credentials or otherwise, our reputation could be damaged, our business may be harmed and we could incur significant liabilities.

High-profile security breaches at other companies have increased in recent years, and security industry experts and government officials have warned about the risks of hackers and cyberattacks targeting information technology products and businesses. Because techniques used to obtain unauthorized access or to sabotage systems change frequently and often are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. As we continue to increase our client base and expand our brand, we may become more of a target for third parties seeking to compromise our security systems and we anticipate that hacking attempts and cyberattacks will increase in the future. We cannot give assurance that we will always be successful in preventing or repelling unauthorized access to our systems.

Many jurisdictions have enacted laws requiring companies to notify individuals of data security breaches involving certain types of personal data. These mandatory disclosures regarding security breaches often lead to widespread negative publicity. Moreover, the risk of reputational harm may be magnified and/or distorted through the rapid dissemination of information over the Internet, including through news articles, blogs, chat rooms, and social media sites. Any security breach, whether actual or perceived, could harm our reputation, erode customer confidence in the effectiveness of our data security measures, negatively impact our ability to attract new customers, cause existing customers to elect not to renew their support contracts, or subject us to third-party lawsuits, regulatory fines or other action or liability, which could materially and adversely affect our business and operating results.

There can be no assurance that the limitations of liability in our contracts would be enforceable or adequate or would otherwise protect us from any such liabilities or damages with respect to any particular claim. Our existing general liability insurance coverage and coverage for errors and omissions may not continue to be available on acceptable terms or may not be available in sufficient amounts to cover one or more large claims, or our insurers may deny coverage as to any future claim. The successful assertion of one or more large claims against us that exceeds available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have a material adverse effect on our business, operating results and financial condition.

If we are unable to attract and retain qualified personnel, our business, operating results and financial condition could be harmed.

Our continued success depends, in part, on our ability to hire and retain qualified personnel and to preserve the key aspects of our corporate culture. Because our future success is dependent on our ability to continue to enhance and introduce new products, we are particularly dependent on our ability to hire and retain qualified engineers. In addition, to increase revenues, we will be required to increase the productivity of our sales force and support infrastructure to achieve adequate customer coverage. Competition for qualified employees, particularly in Silicon Valley, is intense. We have periodically reduced our workforce, including an 11% reduction announced in February 2016, and these actions may make it more difficult to attract and retain qualified employees. Our inability to hire and retain qualified management and skilled personnel, particularly engineers, salespeople and key executive management, could be disruptive to our development efforts, sales results, business relationships and/or our ability to execute our business plan and strategy on a timely basis and could materially and adversely affect our operating results.

Equity grants are a critical component of our current compensation programs. If we reduce, modify or eliminate our equity programs, we may have difficulty attracting and retaining critical employees.

In addition, because of the structure of our cash and equity incentive compensation plans, we may be at increased risk of losing employees at certain times. For example, the retention value of our compensation plans decreases after the payment of annual bonuses or the vesting of equity awards.

A repatriation of cash held by our foreign subsidiaries to fund U.S. operations, strategic opportunities or debt service may subject us to a significant tax liability.

As of April 29, 2016, $4.8 billion of cash, cash equivalents and short-term investments was held by our foreign subsidiaries. Under current law, repatriation of this cash may trigger significant adverse tax consequences in the U.S. As a result, if the cash generated by our domestic operations is not sufficient to fund our domestic operations and our broader corporate initiatives, such as stock repurchases, dividends, acquisitions, and other strategic opportunities, and to service our outstanding indebtedness, we may need to raise additional funds through public or private debt or equity financings, or we may need to obtain new credit facilities to the extent we choose not to repatriate our overseas cash. Such additional financing may not be available on terms favorable to us, or at all, and any new equity financings or offerings would dilute our current stockholders' ownership. Furthermore, lenders may not agree to extend us new, additional or continuing credit. If adequate funds are not available, or are not available on acceptable terms, we may be forced to repatriate our foreign-held cash and incur a significant tax charge. In any such case, our business, operating results or financial condition could be adversely impacted.

We are continually seeking ways to make our cost structure, business processes and systems more efficient, including by moving activities from higher-cost to lower-cost locations, outsourcing certain business processes and functions, and implementing new

business information systems. Problems with the execution of these activities could have an adverse effect on our business, operating results and financial condition. In addition, we may not achieve the expected benefits of these initiatives.

We continuously seek to make our cost structure and business processes more efficient, including by moving our business activities from higher-cost to lower-cost locations, outsourcing certain business processes and functions, and implementing changes to our business information systems. These efforts involve a significant investment of financial and human resources and significant changes to our current operating processes. In addition, as we move operations into lower-cost jurisdictions and outsource certain business processes, we become subject to new regulatory regimes and lose control of certain aspects of our operations and, as a consequence, become more dependent upon the systems and business processes of third-parties. If we are unable to move our operations, outsource business processes and implement new business information systems in a manner that complies with local law and maintains adequate standards, controls and procedures, the quality of our products and services may suffer and we may be subject to increased litigation risk, either of which could have an adverse effect on our business, operating results and financial condition. Additionally, we may not achieve the expected benefits of these and other transformational initiatives, which could harm our business, operating results and financial condition.

Our acquisitions may not achieve expected benefits, and may increase our liabilities, disrupt our existing business and harm our operating results.

As part of our strategy, we seek to acquire other businesses and technologies to complement our current products, expand the breadth of our markets, or enhance our technical capabilities. For example, in February 2016, we acquired SolidFire, Inc., and in fiscal 2015 we acquired the SteelStore product line from Riverbed Technology, Inc. The benefits we expect to receive from these and other acquisitions depend on our ability to successfully conduct due diligence, negotiate the terms of the acquisition and integrate the acquired business into our systems, procedures and organizational structure. Any inaccuracy in our acquisition assumptions or any failure to uncover liabilities or risks associated with the acquisition, make the acquisition on favorable terms, integrate the acquired business or assets as and when expected or retain key employees of the acquired company may reduce or eliminate the expected benefits of the acquisition to us, increase our costs, disrupt our operations, result in additional liabilities, investigations and litigation, and may also harm our strategy, our business and our operating results. The failure to achieve expected acquisition benefits may also result in impairment charges for goodwill and purchased intangible assets.

Reduced U.S. government demand could materially harm our business and operating results. In addition, we could be harmed by claims that we have or a channel partner has failed to comply with regulatory and contractual requirements applicable to sales to the U.S. government.

The U.S. government is an important customer for us. However, government demand is uncertain, as it is subject to political and budgetary fluctuations and constraints. Events such as the U.S. federal government shutdown in October 2013 and continued uncertainty regarding the U.S. budget and debt levels, have increased demand uncertainty for our products, and in our fiscal 2014 and fiscal 2016 resulted in lower sales to these customers. In addition, like other customers, the U.S. government may evaluate competing products and delay purchasing in the face of the technology transitions taking place in the storage industry. If the U.S. government or an individual agency or multiple agencies within the U.S. government continue to reduce or shift their IT spending patterns, our revenues and operating results may be harmed.

Selling our products to the U.S. government, whether directly or through channel partners, also subjects us to certain regulatory and contractual requirements. Failure to comply with these requirements by either us or our channel partners could subject us to investigations, fines, and other penalties, which could materially harm our operating results and financial condition. As an example, the United States Department of Justice (DOJ) and the General Services Administration (GSA) have in the past pursued claims against and financial settlements with IT vendors, including us and several of our competitors and channel partners, under the False Claims Act and other statutes related to pricing and discount practices and compliance with certain provisions of GSA contracts for sales to the federal government. Although the DOJ and GSA currently have no claims pending against us, we could face claims in the future. Violations of certain regulatory and contractual requirements could also result in us being suspended or debarred from future government contracting. Any of these outcomes could have a material adverse effect on our business, operating results and financial condition.

Our failure to pay quarterly dividends to our stockholders and/or to fully consummate our stock repurchase program could cause the market price of our stock to decline significantly.

Our ability to pay quarterly dividends and to continue to execute our stock repurchase program as planned will be subject to, among other things, our financial condition and operating results, available cash and cash flows in the U.S., capital requirements, and other factors. Future dividends are subject to declaration by our Board of Directors, and our stock repurchase program does not obligate us to acquire any specific number of shares. If we fail to meet any expectations related to dividends and/or stock repurchases, the market price of our stock could decline significantly, and could have a material adverse impact on investor confidence. Additionally, price volatility of our stock over a given period may cause the average price at which we repurchase our own stock to exceed the stock’s market price at a given point in time.

We are exposed to fluctuations in the market values of our investment portfolio and in interest rates, and impairment of our investments could harm our financial results.

We maintain an investment portfolio of various holdings, types, and maturities. A significant part of our investment portfolio consists of U.S. government securities. If global credit experiences prolonged periods of decline, or if there is a downgrade of U.S. government debt, our investment portfolio may be adversely impacted and we could determine that some of our investments have experienced an other-than-temporary decline in fair value, requiring impairment charges that could adversely affect our financial results.

If we default under our debt obligations, including our Senior Notes, our business, operating results and financial condition will be harmed. Moreover, covenants associated with our Senior Notes and credit facilities may unduly restrict our business.

We have Senior Notes outstanding as of April 29, 2016 in an aggregate principal amount of $1.5 billion that mature at specific dates in calendar 2017, 2021 and 2022. We have also established a revolving credit facility under which we may borrow an aggregate amount outstanding at any time of $300 million, under which we had no borrowings outstanding as of April 29, 2016. On February 2, 2016, we entered into an $870 million unsecured term loan, the proceeds of which were used to finance our acquisition of SolidFire, Inc., under which we had borrowings of $850 million principal amount outstanding as of April 29, 2016. We may fail to pay these obligations, as and when required. Specifically, if we are unable to generate sufficient cash flows from operations or to borrow sufficient funds in the future to service or refinance our debt, our business, operating results and financial condition will be harmed.

In addition, all of our debt and credit facility arrangements subject us to continued compliance with restrictive and financial covenants. If we do not comply with these covenants or otherwise default under the arrangements, we may be required to repay any outstanding amounts borrowed under these agreements. Moreover, compliance with these covenants may restrict our strategic or operational flexibility in the future, which could harm our business, operating results and financial condition.

We are exposed to the credit and non-payment risk of our customers, resellers and distributors, especially during times of economic uncertainty and tight credit markets, which could result in material losses.

Most of our sales to customers are on an open credit basis, with typical payment terms of 30 days. We may experience losses due to a customer's inability to pay. Beyond our open credit arrangements, some of our customers have entered into recourse and non-recourse financing leasing arrangements using third-party leasing companies. Under the terms of recourse leases, which are generally three years or less, we remain liable for the aggregate unpaid remaining lease payments to the third-party leasing companies in the event of end-user customer default. During periods of economic uncertainty, our exposure to credit risks from our customers increases. In addition, our exposure to credit risks of our customers may increase further if our customers and their customers or their lease financing sources are adversely affected by global economic conditions.

Our failure to adjust to emerging standards in the storage industry may harm our business.

Emerging standards in the storage and data management markets may adversely affect the UNIX®, Windows® and the World Wide Web server markets upon which we depend. For example, we provide our open access data retention solutions to customers within the financial services, healthcare, pharmaceutical and government market segments, industries that are subject to various evolving governmental regulations with respect to data access, reliability and permanence in the U.S. and in the other countries in which we operate. If our products do not meet and continue to comply with these evolving governmental regulations in this regard, customers in these market and geographical segments will not purchase our products, and we may not be able to expand our product offerings in these market and geographical segments at the rates which we have forecasted.

Some of our products are subject to U.S. export control laws and other laws affecting the countries in which our products and services may be sold, distributed, or delivered; any violation of these laws could have a material and adverse effect on our business, operating results and financial condition.

Due to the global nature of our business, we are subject to import and export restrictions and regulations, including the Export Administration Regulations administered by the Commerce Department's Bureau of Industry and Security (BIS) and the trade and economic sanctions regulations administered by the Treasury Department's Office of Foreign Assets Control (OFAC). The U.S., through the BIS and OFAC, places restrictions on the sale or export of certain products and services to certain countries and persons. Violators of these export control and sanctions laws may be subject to significant penalties, which may include significant monetary fines, criminal proceedings against them and their officers and employees, a denial of export privileges, and suspension or debarment from selling products to the federal government. Our products could be shipped to those targets by third parties, including potentially our channel partners, despite our precautions.

If we were ever found to have violated U.S. export control laws, we may be subject to various penalties available under the laws, any of which could have a material and adverse impact on our business, operating results and financial condition. Even if we were not found to have violated such laws, the political and media scrutiny surrounding any governmental investigation of us could cause us significant expense and reputational harm and distract senior executives from managing our normal day-to-day operations. Such collateral consequences could have a material adverse impact on our business, operating results and financial condition.

Changes in regulations relating to our products or their components, or the manufacture, sourcing, distribution or use thereof, may harm our business and operating results.

The laws and regulations governing the manufacturing, sourcing, distribution and use of our products have become more complex and stringent over time. For example, in addition to various environmental laws relating to carbon emissions and the use and discharge of hazardous materials, the SEC has recently adopted regulations concerning the supply of certain minerals originating from the conflict zones of the Democratic Republic of Congo or adjoining countries. We may incur costs to comply with the new disclosure requirements of this law and may realize other costs relating to the sourcing and availability of minerals used in our products. Further, since our supply chain is complex, we may face reputational harm if our customers or other stakeholders conclude that we are unable to verify sufficiently the origins of the minerals used in the products we sell. As the laws and regulations governing our products continue to expand and change, our costs are likely to rise, and the failure to comply with any such laws and regulations could subject us to business interruptions, litigation risks and reputational harm.

Our failure to protect our intellectual property could harm our business, operating results and financial condition.

Our success depends significantly upon developing, maintaining and protecting our proprietary technology. We rely on a combination of patents, copyrights, trademarks, trade secrets, confidentiality procedures and contractual provisions with employees, resellers, strategic partners and customers, to protect our proprietary rights. We currently have multiple U.S. and international patent applications pending and multiple U.S. and international patents issued. The pending applications may not be approved, and our existing and future patents may be challenged. If such challenges are brought, the patents may be invalidated. We may not be able to develop proprietary products or technologies that are patentable, and patents issued to us may not provide us with any competitive advantages and may be challenged by third parties. Further, the patents of others may materially and adversely affect our ability to do business. In addition, a failure to obtain and defend our trademark registrations may impede our marketing and branding efforts and competitive condition. Litigation may be necessary to protect our proprietary technology. Any such litigation may be time-consuming and costly. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our products or obtain and use information that we regard as proprietary. In addition, the laws of some foreign countries do not protect proprietary rights to as great an extent as do the laws of the U.S. Our means of protecting our proprietary rights may not be adequate or our competitors may independently develop similar technology, duplicate our products, or design around patents issued to us or other intellectual property rights of ours.

We are subject to intellectual property infringement claims. We may, from time to time, receive claims that we are infringing third parties' intellectual property rights. Third parties may in the future claim infringement by us with respect to current or future products, patents, trademarks or other proprietary rights. We expect that companies in the network storage and data management markets will increasingly be subject to infringement claims as the number of products and competitors in our industry segment grows and the functionality of products in different industry segments overlaps. Any such claims could be time consuming, result in costly litigation, cause product shipment delays, require us to redesign our products, or require us to enter into royalty or licensing agreements, any of which could materially and adversely affect our operating results. Such royalty or licensing agreements, if required, may not be available on terms acceptable to us or at all.

Our business could be materially and adversely affected as a result of natural disasters, terrorist acts or other catastrophic events.

We depend on the ability of our personnel, inventories, equipment and products to move reasonably unimpeded around the world. Any political, military, terrorism, global trade, world health or other issue that hinders this movement or restricts the import or export of materials could lead to significant business disruptions. Furthermore, any economic failure or other material disruption caused by natural disasters, including fires, floods, hurricanes, earthquakes, and volcanoes; power loss or shortages; environmental disasters; telecommunications or business information systems failures or break-ins and similar events could also adversely affect our ability to conduct business. If such disruptions result in cancellations of customer orders or contribute to a general decrease in economic activity or corporate spending on IT, or directly impact our marketing, manufacturing, financial and logistics functions, or impair our ability to meet our customer demands, our operating results and financial condition could be materially adversely affected. In addition, our headquarters and one of our major data centers are located in Northern California, an area susceptible to earthquakes. If any significant disaster were to occur, our ability to operate our business and our financial condition could be impaired.

Changes in financial accounting standards may cause adverse unexpected fluctuations and affect our reported operating results.

A change in accounting standards or practices and varying interpretations of existing accounting pronouncements, the increased use of fair value measures, changes to revenue recognition, lease accounting, financial instruments and other accounting standards could have a significant effect on our reported financial results or the way we conduct our business. Implementation of accounting regulations and related interpretations and policies, particularly those related to revenue recognition, could cause us to defer recognition of revenue or recognize lower revenue, which may affect our operating results.

Item 1B. ***Unresolved Staff Comments***

Not applicable.

Item 2. ***Properties***

We own approximately 1.1 million square feet of facilities at our Sunnyvale, California headquarters. The Sunnyvale site supports research and development, corporate general administration, sales and marketing, global services and operations.

We own approximately 0.8 million square feet of facilities in Research Triangle Park (RTP), North Carolina, of which we occupy approximately 0.5 million square feet. In addition, we own 65 acres of undeveloped land. The RTP site supports research and development, global services and sales and marketing.

We own forty acres of land and approximately 0.3 million square feet of facilities in Wichita, Kansas. This site supports sales and marketing, research and development, and global services.

We lease and occupy approximately 0.4 million square feet of facilities in Bangalore, India. In addition, we own 15 acres of land and 1.0 million square feet of facilities under construction. The Bangalore site supports research and development, marketing and global services.

We lease other sales offices and research and development facilities throughout the U.S. and internationally. We expect that our existing facilities and those being developed worldwide are suitable and adequate for our requirements over at least the next two years and that additional space will be available as needed.

Item 3. ***Legal Proceedings***

None.

Item 4. ***Mine Safety Disclosures***

Not applicable.

PART II

Item 5. *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*

The Company's common stock is traded on the NASDAQ Stock Market LLC ("NASDAQ") under the symbol NTAP.

Price Range of Common Stock

The price range per share of common stock presented below represents the highest and lowest intraday sales prices for the Company's common stock on the NASDAQ during each quarter of our two most recent fiscal years.

	Fiscal 2016		Fiscal 2015	
	High	Low	High	Low
First Quarter	$ 37.07	$ 30.25	$ 38.21	$ 33.34
Second Quarter	$ 34.81	$ 28.75	$ 43.75	$ 37.44
Third Quarter	$ 34.73	$ 20.66	$ 43.67	$ 38.14
Fourth Quarter	$ 27.51	$ 20.89	$ 39.90	$ 34.94

Holders

As of June 10, 2016 there were 511 holders of record of our common stock.

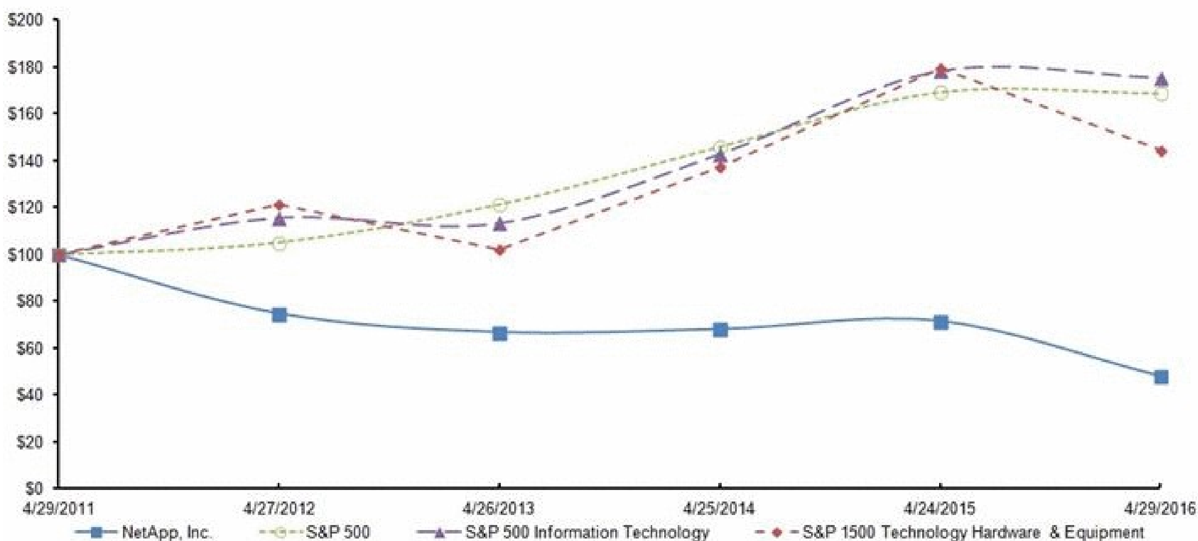
Dividends

The Company paid cash dividends of $0.18 per outstanding common share in each quarter of fiscal 2016 for an aggregate of $210 million, and $0.165 per outstanding common share in each quarter of fiscal 2015 for an aggregate of $208 million.

Performance Graph

The following graph shows a comparison of cumulative total shareholder return, calculated on a dividend reinvested basis, of an investment of $100 for the Company, the S&P 500 Index, the S&P Information Technology Index and the S&P 1500 Technology Hardware & Equipment Index for the five years ended April 29, 2016. The comparisons in the graphs below are based upon historical data and are not indicative of, nor intended to forecast, future performance of our common stock. The graph and related information shall not be deemed "soliciting material" or be deemed to be "filed" with the SEC, nor shall such information be incorporated by reference into any past or future filing with the SEC, except to the extent that such filing specifically states that such graph and related information are incorporated by reference into such filing.

COMPARISON OF FIVE YEAR CUMULATIVE TOTAL RETURN
Among NetApp, Inc., the S&P 500 Index, the S&P Information Technology Index and the S&P 1500 Technology Hardware & Equipment Index*



*$100 invested on April 29, 2011 in stock or index, including reinvestment of dividends. Data points are the last day of each fiscal year for the Company's common stock and each of the indexes.

	April 2011	April 2012	April 2013	April 2014	April 2015	April 2016
NetApp, Inc.	$ 100.00	$ 74.90	$ 66.92	$ 68.20	$ 71.65	$ 48.11
S&P 500 Index	$ 100.00	$ 105.16	$ 121.27	$ 145.85	$ 169.15	$ 168.63
S&P 500 Information Technology Index	$ 100.00	$ 115.58	$ 113.30	$ 142.58	$ 177.97	$ 175.11
S&P 1500 Technology Hardware & Equipment Index	$ 100.00	$ 121.21	$ 102.04	$ 137.21	$ 179.24	$ 144.44

We believe that a number of factors may cause the market price of our common stock to fluctuate significantly. See Item 1A. – Risk Factors.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table provides information with respect to the shares of common stock repurchased by us during the three months ended April 29, 2016:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares That May Yet Be Purchased Under The Repurchase Program
	(Shares in thousands)		(Shares in thousands)	(Dollars in millions)
January 30, 2016 - February 26, 2016	4,531	$ 23.19	241,201	$ 1,656
February 27, 2016 - March 25, 2016	6,108	$ 25.72	247,309	$ 1,499
March 26, 2016 - April 29, 2016	—	$ —	247,309	$ 1,499
Total	10,639	$ 24.64		

In May 2003, our Board of Directors approved a stock repurchase program. As of April 29, 2016, our Board of Directors has authorized the repurchase of up to $9.6 billion of our common stock. During fiscal 2016, we repurchased and retired 33 million shares of our common stock for an aggregate purchase price of $960 million. Since inception of the program through April 29, 2016, we repurchased a total of 247 million shares of our common stock for an aggregate purchase price of $8.1 billion. Under this program, we may purchase shares of our outstanding common stock through open market and privately negotiated transactions at prices deemed appropriate by our management. The stock repurchase program may be suspended or discontinued at any time.

Item 6. *Selected Financial Data*

The following selected consolidated financial data set forth below was derived from our historical audited consolidated financial statements and should be read in conjunction with, Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations and Item 8 – Financial Statements and Supplementary Data, and other financial data included elsewhere in this Annual Report on Form 10-K. Our historical results of operations are not indicative of our future results of operations.

	Fiscal Year Ended				
	April 29, 2016	April 24, 2015	April 25, 2014	April 26, 2013	April 27, 2012
	(In millions, except per share amounts)				
Net revenues	$ 5,546	$ 6,123	$ 6,325	$ 6,332	$ 6,233
Gross profit	$ 3,373	$ 3,833	$ 3,919	$ 3,761	$ 3,713
Net income	$ 229	$ 560	$ 638	$ 505	$ 605
Net income per share, basic	$ 0.78	$ 1.77	$ 1.87	$ 1.40	$ 1.66
Net income per share, diluted	$ 0.77	$ 1.75	$ 1.83	$ 1.37	$ 1.58
Shares used in basic computation	294	316	340	362	364
Shares used in diluted computation	297	321	348	368	384
Cash dividends declared per share	$ 0.72	$ 0.66	$ 0.60	$ —	$ —

	April 29, 2016	April 24, 2015	April 25, 2014	April 26, 2013	April 27, 2012
	(In millions)				
Cash, cash equivalents and short-term investments	$ 5,303	$ 5,326	$ 5,003	$ 6,953	$ 5,399
Working capital	$ 2,786	$ 4,064	$ 3,776	$ 4,588	$ 3,307
Total assets	$ 10,037	$ 9,401	$ 9,214	$ 11,235	$ 9,527
Total debt	$ 2,339	$ 1,487	$ 990	$ 2,252	$ 1,202
Total deferred revenue and financed unearned services revenue	$ 3,385	$ 3,197	$ 3,100	$ 3,010	$ 2,816
Total stockholders' equity	$ 2,881	$ 3,414	$ 3,787	$ 4,718	$ 4,294

Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

The following discussion of our financial condition and results of operations should be read together with the financial statements and the accompanying notes set forth under Item 8. – Financial Statements and Supplementary Data. The following discussion also contains trend information and other forward-looking statements that involve a number of risks and uncertainties. The Risk Factors set forth in Item 1A. – Risk Factors are hereby incorporated into the discussion by reference.

Executive Overview

Our Company

We are a leading global provider of software, systems and services to manage and store customer data. We enable enterprises, service providers, governmental organizations, and partners to envision, deploy and evolve their information technology (IT) environments and to reduce costs and risk while driving growth and success for their organizations.

Data management on the hybrid cloud today is essentially a series of isolated siloes. IT organizations need to harmonize the management of data across all cloud providers, as well as on premises. This is what we call the Data Fabric. Our Data Fabric strategy defines the NetApp technology architecture for hybrid cloud. We offer solutions that help customers seamlessly manage their data across their diverse IT resources, spanning flash, disk, and cloud. Customers have the flexibility to choose the right set of resources to meet the needs of their applications and the freedom to change them whenever they want. Customers are entirely in control of their data, regardless of the cloud that it sits on, regardless of the landscape in which it is deployed.

Our data management and storage offerings help improve business productivity, performance and profitability, while providing investment protection and enhanced asset utilization. We complement our enterprise-class storage solutions with services expertise that maximizes the business benefits our customers gain from deploying our products. In fiscal 2016, we focused on our Data Fabric strategy and the strategic solutions that form the foundation of how we enable customer success in the data-powered digital era.

Our unified scale-out fabric-attached storage (FAS) platform is designed to meet the demanding requirements of shared infrastructures and cloud environments. Our FAS storage platform uses the NetApp Data ONTAP storage operating system to deliver integrated data protection, comprehensive data management, and built-in efficiency software for virtualized, shared infrastructures, cloud computing, and mixed workload business applications. We offer hybrid and all-flash configurations of both FAS and E-Series platforms. Our E-Series high-performance storage area network platform is designed to meet demanding performance and capacity requirements of dedicated workloads, while retaining simplicity and an optimized price to performance ratio.

In February 2016, NetApp completed the acquisition of all-flash startup company SolidFire, Inc., which when combined with our existing all-flash offerings, allows us to offer the industry's broadest portfolio of all-flash solutions. SolidFire systems target a new class of customer who is masterminding the next-generation data center and wants cloud-like capabilities from their on-premises storage for greater flexibility. These users place a priority on the ability to scale simply and seamlessly.

Our configured systems consist of (1) entry level product platform, which consists of our FAS2000 systems, (2) mid-range product platform, which consists of our legacy FAS3000 systems and our new FAS8020 and FAS8040 systems, and (3) high-end product platform, which consists of our legacy FAS6000 systems and our new FAS8060 and FAS8080 systems.

In addition to our products, we provide a variety of services including software maintenance, hardware maintenance and other services including professional services, global support solutions, and customer education and training to help customers most effectively manage their data.

We employ a multichannel distribution strategy, selling products and services to end users and service providers through a direct sales force and through channel partners, including value-added resellers, system integrators, original equipment manufacturers (OEMs) and distributors.

Financial Results and Key Performance Metrics Overview

The following table provides an overview of some of our key financial metrics for each of the last three fiscal years (in millions, except per share amounts, percentages and days sales outstanding):

	Year Ended		
	April 29, 2016	April 24, 2015	April 25, 2014
Net revenues	$ 5,546	$ 6,123	$ 6,325
Gross profit	$ 3,373	$ 3,833	$ 3,919
Gross profit margin percentage	61%	63%	62%
Income from operations	$ 348	$ 716	$ 734
Income from operations as a percentage of net revenues	6%	12%	12%
Net income	$ 229	$ 560	$ 638
Diluted net income per share	$ 0.77	$ 1.75	$ 1.83
Operating cash flows	$ 974	$ 1,268	$ 1,350

	April 29, 2016	April 24, 2015
Deferred revenue and financed unearned services revenue	$ 3,385	$ 3,197
Days sales outstanding (DSO)	54	46

- *Net revenues*: Our net revenues decreased 9% in fiscal 2016 compared to fiscal 2015. This was primarily due to a decrease of 18% in product revenues, which included the impact of foreign currency exchange rate changes, partially offset by a 4% increase in software and hardware maintenance and other services revenues.
- *Gross profit margin percentage:* Our gross profit margin as a percentage of net revenues decreased in fiscal 2016 compared to fiscal 2015 primarily due to a decline in Average Selling Prices (ASPs) largely due to higher discounting and product promotions.
- *Income from operations as a percentage of net revenues:* Our income from operations as a percentage of net revenues decreased in fiscal 2016 compared to fiscal 2015 primarily due to lower product gross margin and restructuring charges.
- *Net income and Diluted income per share:* The 59% and 56% decreases in net income and diluted net income per share, respectively, in fiscal 2016 compared to fiscal 2015 reflect the factors discussed above, as well as an increase in our effective tax rate of 12 percentage points. Partially offsetting these factors, diluted net income per share was favorably impacted by a 7% decrease in the annual weighted average number of dilutive shares, primarily due to share repurchases throughout the year.
- *Operating cash flows:* Operating cash flows decreased $294 million in fiscal 2016, primarily due to lower net income.
- *Deferred revenue and financed unearned services revenue:* Total deferred revenue and financed unearned services revenue increased $188 million, or 6%, in fiscal 2016 compared to fiscal 2015 primarily due to higher software and hardware maintenance contract renewals.
- *DSO:* Days Sales Outstanding (DSO) were 54 in the fourth quarter of fiscal 2016 compared to 46 in the fourth quarter of fiscal 2015 reflecting a higher level of orders in the last month of the fourth quarter in fiscal 2016 than in fiscal 2015.

Acquisition of SolidFire

On February 2, 2016, we acquired all of the outstanding shares of privately-held SolidFire, Inc. (“SolidFire”), a maker of all-flash storage systems based in Colorado, for $850 million in cash. This acquisition extends our position in the all-flash array market by adding new flash offerings that will enhance our ability to deliver customers all-flash storage with a webscale architecture that simplifies data center operations and enables rapid deployments of new applications. In connection with this acquisition, we entered into an $870 million short-term loan that we expect to repay in full with our global earnings by the beginning of our third quarter of fiscal 2017.

Stock Repurchase Program and Dividend Activity

During fiscal 2016, we repurchased 33 million shares of our common stock at an average price of $28.80 per share, for an aggregate of $960 million. We also declared cash dividends of an aggregate of $0.72 per share in fiscal 2016, for which we paid an aggregate of $210 million.

Restructuring Events

In February 2016, we committed to a restructuring and reduction in workforce to streamline our business and reduce operating expenses. In connection with these actions, we reduced our worldwide headcount by approximately 11%, and incurred $80 million of employee severance charges in the fourth quarter of fiscal 2016. The reduction in workforce will be executed through the end of the second quarter of fiscal 2017.

In May 2015, we committed to a restructuring event and reduction in workforce of approximately 3% of our worldwide headcount, for which we recognized charges of $28 million, primarily in the first quarter of fiscal 2016. These activities were substantially completed in the second quarter of fiscal 2016.

Real Estate Transactions

On April 19, 2016, we sold certain buildings and land in Sunnyvale, California which had a net book value of $118 million at the time of sale, for $250 million in cash. Certain of the properties did not qualify as sales under accounting standards due to continuing involvement related to leaseback arrangements. The remaining properties, which had a net book value of $51 million and related sales proceeds of $102 million, were recognized as sales, resulting in a gain of $51 million.

Critical Accounting Policies and Estimates

Our consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP), which require management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, net revenues and expenses, and the disclosure of contingent assets and liabilities. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. We believe that the accounting estimates employed and the resulting balances are reasonable; however, actual results may differ from these estimates and such differences may be material.

The summary of significant accounting policies is included in Note 1 – Description of Business and Significant Accounting Policies of the Notes to Consolidated Financial Statements. An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, if different estimates reasonably could have been used, or if changes in the estimate that are reasonably possible could materially impact the financial statements. The accounting policies described below reflect the significant judgments, estimates and assumptions used in the preparation of the consolidated financial statements.

Revenue Recognition, Reserves and Allowances

We recognize revenue when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable and collection is reasonably assured. Revenue from the sale of hardware systems and software components essential to the functionality of the hardware systems is recognized in accordance with general revenue recognition accounting guidance. Our product revenues also include revenues from the sale of non-essential software products, which generally includes a perpetual license to our software. Non-essential software sales are subject to industry specific software revenue recognition accounting guidance. Software maintenance and hardware maintenance services revenues are recognized ratably over their contractual terms, generally from one to five years.

For multiple element arrangements, we allocate revenue to the software deliverables and the non-software deliverables as a group based on the relative selling prices of all of the deliverables in the arrangement. For our non-software deliverables, we allocate the arrangement consideration based on the relative selling price of the deliverables using estimated selling price (ESP). For our software maintenance services, we generally use vendor-specific objective evidence of selling price (VSOE). When we are unable to establish VSOE for our software maintenance services, we use ESP in our allocation of arrangement consideration.

The selling price for each element is based upon the following selling price hierarchy: VSOE if available, third party evidence (TPE) if VSOE is not available, or ESP if neither VSOE nor TPE are available. Generally, we are not able to determine TPE because our go-to-market strategy differs from that of our peers and our offerings contain a significant level of differentiation such that the comparable pricing of products with similar functionality cannot be obtained.

We record reductions to revenue for estimated sales returns at the time of shipment. We also maintain a separate allowance for doubtful accounts for estimated losses based on our assessment of the collectability of specific customer accounts.

The following are the key estimates and assumptions and corresponding uncertainties for recognizing revenue:

Key Estimates and Assumptions	Key Uncertainties
• We establish VSOE of selling price using the price charged for a deliverable when sold separately and generally evidenced by a substantial majority of historical stand-alone transactions falling within a reasonably narrow range. In addition, we consider major service type, customer type, and other variables in determining VSOE. Our revenue estimates and assumptions are based on our ability to assert and maintain VSOE. ESP is generally evidenced by a majority of historical transactions falling within a reasonable price range. We also consider multiple factors, including, but not limited to, cost of products, gross margin objectives, historical pricing practices, customer type and distribution channels. Our revenue estimates and assumptions are based on our ability to maintain consistent ESP.	• As our business and offerings evolve over time, modifications to our pricing and discounting methodologies, changes in the scope and nature of service offerings and/or changes in customer segmentation may result in a lack of consistency required to establish and/or maintain VSOE or to maintain consistent ESP. Additionally, technological changes resulting in variability in product costs and gross margins may require changes to our ESP model. Changes in ESP may result in a different allocation of revenue to the deliverables in multiple-element arrangements. These factors, among others, may adversely impact the amount of revenue and gross margin we report in a particular period.
• Sales returns are estimated based on historical sales returns, current trends and our expectations regarding future experience. Additionally, distributors and partners participate in various marketing and other programs, and we maintain estimated accruals and allowances for these programs based on contractual terms and historical experience.	• If there is insufficient relevant historical data for determining our sales returns estimates, or if we experience changes in practices related to sales returns or changes in market or competitive conditions resulting in higher than expected return rates, or if actual credits received by our distributors and partners deviate significantly from our estimates, our revenues may be adversely impacted.

Inventory Valuation and Purchase Order Accruals

Inventories consist primarily of purchased components and finished goods and are stated at the lower of cost or market, which approximates actual cost on a first-in, first-out basis. A provision is recorded when inventory is determined to be in excess of anticipated demand or obsolete in order to adjust inventory to its estimated realizable value. The following are the key estimates and assumptions and corresponding uncertainties for estimating the value of our inventories:

Key Estimates and Assumptions	Key Uncertainties
• We periodically perform an excess and obsolete analysis of our inventory. Inventories are written down based on excess and obsolete reserves determined primarily on assumptions about future demand forecasts and market conditions. At the point of the loss recognition, a new, lower cost basis for that inventory is established, and subsequent changes in facts and circumstances do not result in the restoration or increase in that newly established cost basis.	• Although we use our best estimates to forecast future product demand, any significant unanticipated changes in demand or obsolescence related to technological developments, new product introductions, customer requirements, competition or other factors could have a significant impact on the valuation of our inventory. If actual market conditions are less favorable than those projected, additional write-downs and other charges against earnings that adversely impact gross margins may be required. If actual market conditions are more favorable, we may realize higher gross profits in the period when the written-down inventory is sold. We are subject to a variety of environmental laws relating to the manufacture of our products. If there are changes to the current regulations, we may be required to make product design changes which may result in excess or obsolete inventory, which could adversely impact our operating results.
• We make commitments to our third-party contract manufacturers and other suppliers to manage lead times and meet product forecasts and to other parties to purchase various key components used in the manufacture of our products. We establish accruals for estimated losses on non-cancelable purchase commitments when we believe it is probable that the components will not be utilized in future operations.	• If the actual materials demand is significantly lower than our forecast, we may be required to increase our recorded liabilities for estimated losses on non-cancelable purchase commitments which would adversely impact our operating results.

Goodwill and Purchased Intangible Assets

We allocate the purchase price of acquisitions to identifiable assets acquired and liabilities assumed at their acquisition date fair values based on established valuation techniques. Goodwill represents the residual value as of the acquisition date, which in most cases is measured as the excess of the purchase consideration transferred over the net of the acquisition date fair values of the assets acquired and liabilities assumed.

The carrying values of purchased intangible assets are reviewed whenever events and circumstances indicate that the net book value of an asset may not be recovered through expected future cash flows from its use and eventual disposition. We periodically review the estimated remaining useful lives of our intangible assets. This review may result in impairment charges or shortened useful lives, resulting in charges to our consolidated statements of operations.

We review goodwill for impairment annually and whenever events or changes in circumstances indicate the carrying amount of a reporting unit may be less than its fair value. The provisions of the accounting standard for goodwill allow us to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. For our annual goodwill impairment test in the fourth quarter of fiscal 2016, we performed a quantitative test at the reporting unit level and determined the fair value substantially exceeded the carrying amount of each reporting unit and, therefore, found no impairment of goodwill.

The following are the key estimates and assumptions and corresponding uncertainties for estimating the value of our goodwill and purchased intangible assets:

Key Estimates and Assumptions	Key Uncertainties
• The assessment of fair value for goodwill and purchased intangible assets is based on factors that market participants would use in an orderly transaction in accordance with the accounting guidance for the fair value measurement of nonfinancial assets. The valuation of purchased intangible assets is principally based on estimates of the future performance and cash flows expected to be generated by the acquired assets from the acquired business.	• While we employ experts to determine the acquisition date fair value of acquired intangibles, the fair values of assets acquired and liabilities assumed are based on significant management assumptions and estimates, which are inherently uncertain and highly subjective and as a result, actual results may differ from estimates. If different assumptions were to be used, it could materially impact the purchase price allocation.
• Evaluations of possible goodwill and purchased intangible assets impairment require us to make judgments and assumptions related to the allocation of our balance sheet and income statement amounts and estimate future cash flows and fair market values of our reporting units and assets.	• In response to changes in industry and market conditions, we could be required to strategically realign our resources and consider restructuring, disposing of, or otherwise exiting businesses, which could result in an impairment of goodwill or purchased intangible assets. Assumptions and estimates about expected future cash flows and the fair values of our goodwill and purchased intangible assets are complex and subjective. They can be affected by a variety of factors, including external factors such as the adverse impact of unanticipated changes in macroeconomic conditions and technological changes or new product introductions from competitors. They can also be affected by internal factors such as changes in business strategy or in forecasted product life cycles and roadmaps. Our ongoing consideration of these and other factors could result in future impairment charges or accelerated amortization expense, which could adversely affect our operating results.

Product Warranties

Estimated future hardware and software warranty costs are recorded as a cost of product revenues at the time of product shipment. We assess the adequacy of our warranty accrual each quarter and adjust the amount as considered necessary.

The following are the key estimates and assumptions and corresponding uncertainties for product warranties:

Key Estimates and Assumptions	Key Uncertainties
• Estimated future software and hardware warranty costs are based on historical and projected warranty claim rates, product failure rates, historical and projected materials and logistics costs, distribution and labor costs and knowledge of specific product failures that are outside of our typical experience. We also evaluate our estimates to assess the adequacy of our warranty liability considering the size of the installed base of products subject to warranty protection and adjust the estimates as necessary.	• Although we engage in product quality programs and processes, if we experience unexpected quality issues resulting in higher failure rates or experience increases in costs to remediate product failures, additional warranty costs may be incurred. Additionally, for new products our warranty liability is based on limited historical experience. If our projections differ from such limited experience, our warranty costs may increase, which could adversely impact our gross margins.

Valuation of Investment Securities

Our investments in debt securities are reported at fair value and are subject to periodic impairment review. Unrealized gains and losses related to changes in the fair value of these securities are recognized in accumulated other comprehensive income, net of tax, unless they are determined to be other-than-temporary impairments. The ultimate value realized on these securities is subject to market price volatility until they are sold.

The following are the key estimates and assumptions and corresponding uncertainties for the valuation of our investment securities:

Key Estimates and Assumptions	Key Uncertainties
• The estimated fair value of our debt securities, and the associated accounting for unrealized losses is based on an evaluation of current economic and market conditions, the credit rating of the security's issuer, the length of time and extent the security's fair value has been below its amortized cost and our ability and intent to hold the security for a period of time sufficient to allow for anticipated recovery in value. If we determine that an investment has an other-than-temporary decline in fair value, we recognize the investment loss in earnings.	• The fair value of our investments in debt securities could decrease significantly from uncertainties in the credit and capital markets, credit rating downgrades and/or solvency of the issuer, decreases in the marketability of the securities or changes in our ability and intent to continue to hold the securities. If the fair value of our investments decreases significantly and is determined to be other-than-temporary, we may incur impairment charges that could adversely affect our results of operations.

Income Taxes

We are subject to income taxes in the United States and numerous foreign jurisdictions. We compute our provision for income taxes using the asset and liability method, under which deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, and for operating losses and tax credit carryforwards. Deferred tax assets and liabilities are measured using the currently enacted tax rates that apply to taxable income in effect for the years in which those tax assets are expected to be realized or settled. The Company records a valuation allowance to reduce deferred tax assets to the amount that is believed more likely than not to be realized.

The following are the key estimates and assumptions and corresponding uncertainties for our income taxes:

Key Estimates and Assumptions	Key Uncertainties
• Our income tax provision is based on existing tax law and advanced pricing agreements or letter rulings we have with various tax authorities.	• Our provision for income taxes is subject to volatility and could be adversely impacted by future changes in existing tax laws, such as a change in tax rate, possible U.S. changes to the taxation of earnings of our foreign subsidiaries, and uncertainties as to future renewals of favorable tax agreements and rulings.
• Deferred income taxes have not been provided on the undistributed earnings of foreign subsidiaries because these earnings have been indefinitely reinvested and there is no plan in the foreseeable future to initiate any action that would precipitate the payment of income taxes thereon.	• We consider the following matters, among others, in evaluating our plans for indefinite reinvestment: the forecasts, budgets and financial requirements of the parent and subsidiaries for both the long and short term; the tax consequences of a decision to reinvest; and any U.S. and foreign government programs designed to influence remittances. If factors change, future income tax expense and payments may differ significantly from the current period and could materially adversely affect our results of operations.
• The determination of whether we should record or adjust a valuation allowance against our deferred tax assets is based on assumptions regarding our future profitability.	• Our future profits could differ from current expectations resulting in a change to our determination as to the amount of deferred tax assets that are more likely than not to be realized. We could adjust our valuation allowance with a corresponding impact to the tax provision in the period in which such determination is made.
• The estimates for our uncertain tax positions are based primarily on company specific circumstances, applicable tax laws, tax opinions from outside firms and past results from examinations of our income tax returns.	• Significant judgment is required in evaluating our uncertain tax positions. Although we believe our reserves are reasonable, no assurance can be given that the final tax outcome or tax court rulings of these matters will not be different from that which is reflected in our historical tax provisions and accruals.

New Accounting Standards

See Note 3 – Recent Accounting Standards Not Yet Effective of the Notes to Consolidated Financial Statements for a full description of new accounting pronouncements, including the respective expected dates of adoption and effects on our financial statements.

Results of Operations

Our fiscal year is reported on a 52- or 53-week year that ends on the last Friday in April. An additional week is included in the first fiscal quarter approximately every six years to realign fiscal months with calendar months. Our fiscal year 2016 ended on April 29, 2016 and was a 53-week year. Our fiscal years 2015 and 2014 ended on April 24, 2015 and April 25, 2014, respectively, and were each 52-week years. Unless otherwise stated, references to particular years, quarters, months and periods refer to the Company's fiscal years ended in April and the associated quarters, months and periods of those fiscal years.

The following table sets forth certain Consolidated Statements of Operations data as a percentage of net revenues for the periods indicated:

	Year Ended		
	April 29, 2016	April 24, 2015	April 25, 2014
Revenues:			
Product	54 %	60 %	62 %
Software maintenance	17	15	14
Hardware maintenance and other services	29	26	23
Net revenues	100	100	100
Cost of revenues:			
Cost of product	28	27	28
Cost of software maintenance	1	1	—
Cost of hardware maintenance and other services	10	10	9
Gross profit	61	63	62
Operating expenses:			
Sales and marketing	32	31	30
Research and development	16	15	15
General and administrative	6	5	4
Restructuring and other charges	2	—	1
Acquisition-related expense	—	—	—
Gain on sale of properties	(1)	—	—
Total operating expenses	55	51	50
Income from operations	6	12	12
Other income (expense), net	—	—	—
Income before income taxes	6	12	12
Provision for income taxes	2	2	2
Net income	4 %	9 %	10 %

Percentages may not add due to rounding

Discussion and Analysis of Results of Operations

Overview — Net revenues for fiscal 2016 were $5,546 million, a decrease of $577 million, or 9%, compared to fiscal 2015, reflecting lower product revenues, partially offset by an increase in software and hardware maintenance and other services revenues. Net revenues for fiscal 2015 were $6,123 million, down $202 million, or 3%, compared to fiscal 2014, reflecting a decrease in product and software maintenance revenues, partially offset by an increase in hardware maintenance and other services revenues.

Gross profit as a percentage of net revenues decreased 2 percentage points during fiscal 2016 compared to fiscal 2015, reflecting lower margins on product revenues. Gross profit margins on product revenues in fiscal 2016 decreased compared to fiscal 2015 primarily due to higher discounting and product promotions which resulted in the decline in ASPs that outpaced the decline in unit materials costs. Gross profit as a percentage of net revenues increased 1 percentage point during fiscal 2015 compared to fiscal 2014, reflecting higher gross margins on hardware maintenance contract and other services revenues. Gross profit margins on product revenues in fiscal 2015 were relatively flat compared to fiscal 2014 primarily due to lower ASPs for configured systems being offset by lower unit materials cost due to changes in product mix.

Sales and marketing, research and development, and general and administrative expenses for fiscal 2016 totaled $2,960 million, an increase of 3 percentage points as a percentage of net revenues compared to fiscal 2015, primarily due to a lower revenue denominator, partially offset by the benefits of our cost reduction initiatives. Sales and marketing, research and development, and general and administrative expenses for fiscal 2015 totaled $3,117 million, up 2 percentage points as a percentage of net revenues compared to fiscal 2014, primarily due to a slight decrease in costs on a lower revenue denominator.

Net Revenues (in millions, except percentages):

	Fiscal Year				
	2016	2015	% Change	2014	% Change
Net revenues	$ 5,546	$ 6,123	(9)%	$ 6,325	(3)%

The decrease in net revenues for fiscal 2016 was primarily due to a decrease of $669 million in product revenues, partially offset by $92 million increase in total software maintenance and hardware maintenance and other services revenues. Product revenues comprised 54% of net revenues for fiscal 2016, compared to 60% of net revenues for fiscal 2015.

The decrease in net revenues for fiscal 2015 was primarily due to a reduction of $289 million in product revenues, partially offset by $103 million increase in hardware maintenance and other services revenues. Product revenues comprised 60% of net revenues for fiscal 2015, compared to 62% of net revenues for fiscal 2014.

Sales through our indirect channels represented 77%, 78% and 79% of net revenues in fiscal 2016, 2015 and 2014, respectively.

The following customers, each of which is a distributor, accounted for 10% or more of net revenues:

	Fiscal Year		
	2016	2015	2014
Arrow Electronics, Inc.	22%	23%	22%
Avnet, Inc.	19%	16%	16%

Product Revenues (in millions, except percentages):

	Fiscal Year				
	2016	2015	% Change	2014	% Change
Product revenues	$ 2,986	$ 3,655	(18)%	$ 3,944	(7)%

Product revenues consist of sales of configured systems, which include bundled hardware and software products, and non-configured products, which consist primarily of add-on storage, OEM products and add-on hardware and software products.

Total configured system revenues of $1,885 million decreased by $328 million, or 15%, and systems unit volume decreased by 3% in fiscal 2016, compared to fiscal 2015. Revenues and unit volume decreased from FAS entry level and mid-range systems, partially offset by an increase in revenues and unit volume from FAS high-end systems and E-Series systems (which include our all flash EF systems). ASPs decreased across all FAS systems and E-Series systems platforms due primarily to a combination of higher discounting and product promotions introduced in fiscal 2016. ASPs were also impacted by unfavorable foreign exchange rates, which had an unfavorable impact of approximately 4%, and unfavorable customer and product mix. As a result, overall ASPs of configured systems were lower in fiscal 2016 compared to fiscal 2015.

Non-configured product revenues of $1,101 million decreased by $341 million, or 24%, during fiscal 2016 compared to fiscal 2015. This decrease was primarily due to a decrease of 32% and 36% in add-on storage and OEM revenues, respectively. The decrease in add-on storage reflects higher discounting and unfavorable product mix, as well as the unfavorable impact of foreign exchange rates. The decrease in OEM revenues reflects our move away from OEM products.

Total configured system revenues of $2,213 million decreased by $74 million, or 3%, in fiscal 2015, compared to fiscal 2014. Revenues decreased in FAS entry level, mid-range and high-end systems, partially offset by an increase in E-Series systems. Total configured systems unit volume increased 5% primarily due to a unit volume increase in FAS mid-range, high-end systems and E-Series systems platforms, partially offset by a decrease in unit volume in FAS entry level systems. These changes in unit volume reflect a shift in customer demand to our newer FAS mid-range and high-end systems and higher demand for our E-Series systems, and away from our older FAS entry level systems. ASPs decreased across all FAS systems and E-Series systems platforms due to a combination of newer lower priced products within their respective platforms and unfavorable foreign exchange rates, which had an aggregate negative impact of approximately 2% on configured systems revenues in fiscal 2015 compared to fiscal 2014. As a result, overall ASPs of configured systems were lower in fiscal 2015 compared to fiscal 2014.

Non-configured product revenues of $1,442 million decreased by $215 million, or 13%, during fiscal 2015 compared to fiscal 2014. This decrease was primarily due to a decrease of 32% in add-on storage revenues and a decrease of 20% in OEM revenues, partially offset by a 133% increase in add-on software. The decrease in add-on storage and increase in add-on software are largely due to the change in our pricing strategy that was effective in the fourth quarter of fiscal 2014, whereby we now charge for operating system software for storage capacity but have lowered prices on storage hardware. Non-configured systems revenues were negatively impacted by 1% as a result of unfavorable foreign exchange rates in fiscal 2015, compared to fiscal 2014.

Our systems are highly configurable to respond to customer requirements in the open systems storage markets that we serve. This can cause a wide variation in product configurations that can significantly impact revenues, cost of revenues and gross profits. Pricing changes, discounting practices, product competition, foreign currency, unit volumes, customer mix, natural disasters and product materials costs can also impact revenues, cost of revenues and/or gross profits. Disk drive and flash storage materials are a significant component of our storage systems. While our sales price per terabyte historically declines over time, improved system performance, increased capacity and software to manage this increased capacity have an offsetting favorable impact on product revenues.

Software Maintenance Revenues (in millions, except percentages):

	Fiscal Year				
	2016	2015	% Change	2014	% Change
Software maintenance revenues	$ 949	$ 899	6%	$ 915	(2)%

Software maintenance revenues are associated with contracts which entitle customers to receive unspecified product upgrades and enhancements on a when-and-if-available basis, bug fixes and patch releases, as well as internet and telephone access to technical support personnel located in our global support centers.

The fluctuations in software maintenance revenues reflect fluctuations in the aggregate contract value of the installed base under software maintenance contracts, which is recognized as revenue ratably over the terms of the underlying contracts. Our software maintenance revenues were favorably impacted by a change in our pricing strategy, effective in the fourth quarter of fiscal 2014, such that we now charge for software maintenance services on the storage capacity sold in our configured systems and add-on storage products. We expect this change to continue to result in favorable trends in our software maintenance revenues as a percentage of total revenues. Software maintenance revenues were also favorably impacted by the additional week of deferred revenue amortization in the first quarter of fiscal 2016.

Hardware Maintenance and Other Services Revenues (in millions, except percentages):

	Fiscal Year				
	2016	2015	% Change	2014	% Change
Hardware maintenance and other services revenues	$ 1,611	$ 1,569	3%	$ 1,466	7%

Hardware maintenance and other services revenues include hardware maintenance, professional services and educational and training services revenues.

Hardware maintenance contract revenues were $1,316 million, $1,253 million and $1,130 million in fiscal 2016, 2015 and 2014, respectively. These revenues increased 5% during fiscal 2016 compared to fiscal 2015 and increased 11% during fiscal 2015 compared to fiscal 2014. These increases are a result of increases in the installed base and aggregate contract values under hardware maintenance contracts, due largely to higher levels of shorter term contract renewals from our existing contract base, as well as in fiscal 2016 the favorable impact of an additional week of deferred revenue amortization in the first quarter. Professional services and educational and training services revenues aggregated to $295 million, $317 million and $336 million in fiscal 2016, 2015 and 2014, respectively.

Revenues by Geographic Area:

	Fiscal Year		
	2016	2015	2014
United States, Canada and Latin America (Americas)	55%	56%	56%
Europe, Middle East and Africa (EMEA)	32%	30%	31%
Asia Pacific (APAC)	13%	13%	14%

Percentages may not add due to rounding

Americas revenues consist of sales to Americas commercial and United States (U.S.) public sector markets. During fiscal 2016, we experienced declining revenues in all geographic areas, with the largest percentage decline in the Americas U.S. public sector market. During fiscal 2015, Americas revenues were favorably impacted by an increase in revenues from U.S. public sector markets, but unfavorably impacted by lower Americas commercial revenues. EMEA revenues were unfavorably impacted by foreign exchange rates in fiscal 2015 compared to fiscal 2014. During fiscal 2014, Americas revenues were unfavorably impacted by a decrease in sales to the U.S. public sector market.

Cost of Revenues

Our cost of revenues consists of three elements: (1) cost of product revenues, which includes the costs of manufacturing and shipping our storage products, amortization of purchased intangible assets, inventory write-downs, and warranty costs, (2) cost of software maintenance, which includes the costs of providing software maintenance and third-party royalty costs and (3) cost of hardware maintenance and other services revenues, which includes costs associated with providing support activities for hardware maintenance, global support partnership programs, professional services and educational and training services.

Cost of Product Revenues (in millions, except percentages):

	Fiscal Year				
	2016	2015	% Change	2014	% Change
Cost of product revenues	$ 1,558	$ 1,657	(6)%	$ 1,777	(7)%

The changes in cost of product revenues consisted of the following (in percentage points of the total change):

	Fiscal 2016 to Fiscal 2015 Percentage Change Points	Fiscal 2015 to Fiscal 2014 Percentage Change Points
Materials costs	(5)	(5)
Warranty	—	(2)
Other	(1)	—
Total change	(6)	(7)

Cost of product revenues represented 52%, 45% and 45% of product revenues for fiscal 2016, 2015 and 2014, respectively.

Materials cost represented 85%, 85% and 84% of product costs for fiscal 2016, 2015 and 2014, respectively.

Materials cost decreased $85 million in fiscal 2016 compared to fiscal 2015. Materials costs were impacted by a decrease of 3% unit volume for configured systems in fiscal 2016 compared to fiscal 2015. Partially offsetting this impact was an increase in overall materials unit cost for configured systems due to an increase in the average unit materials costs in entry level and high-end FAS configured systems platforms, partially offset by lower average unit materials costs in mid-range FAS systems, due to changes in product mix. The decrease in materials costs also reflects lower add-on storage and OEM product volume.

Materials cost decreased $82 million in fiscal 2015 compared to fiscal 2014. Materials costs were impacted by a 5% unit volume increase in configured systems in fiscal 2015 compared to fiscal 2014. Overall materials unit cost for configured systems decreased due to a decrease in the average unit materials costs in all of our configured systems platforms, except our FAS entry level systems, which increased slightly, due to changes in product mix. The decrease in materials costs also reflects lower OEM product volume and lower costs of add-on storage. Cost of product revenues were also favorably impacted by a $35 million decrease in hardware-related warranty expense due to a combination of a lower installed base subject to warranty and lower estimated warranty cost per unit.

Cost of Software Maintenance Revenues (in millions, except percentages):

	Fiscal Year				
	2016	2015	% Change	2014	% Change
Cost of software maintenance revenues	$ 37	$ 36	3%	$ 31	16%

Cost of software maintenance revenues were relatively flat in fiscal 2016 compared to fiscal 2015. Cost of software maintenance revenues increased in fiscal 2015 compared to fiscal 2014 primarily due to higher third-party royalties. Cost of software maintenance revenues represented 4%, 4% and 3% of software maintenance revenues for fiscal 2016, 2015 and 2014, respectively.

Cost of Hardware Maintenance and Other Services Revenues (in millions, except percentages):

	Fiscal Year				
	2016	2015	% Change	2014	% Change
Cost of hardware maintenance and other services revenues	$ 578	$ 597	(3)%	$ 598	—%

Cost of hardware maintenance and other services revenues decreased in fiscal 2016 compared to fiscal 2015 due to the favorable impact of cost savings initiatives. Cost of hardware maintenance and other services revenues were relatively flat in fiscal 2015

compared to fiscal 2014. Costs represented 36%, 38% and 41% of hardware maintenance and other services revenues for fiscal 2016, 2015 and 2014, respectively.

Operating Expenses

Sales and Marketing, Research and Development and General and Administrative Expenses

Compensation costs comprise the largest component of operating expenses. Included in compensation costs are salaries, benefits, other compensation-related costs, stock-based compensation expense and employee incentive compensation plan costs.

Total compensation costs included in operating expenses decreased $57 million, or 3% during fiscal 2016 compared to fiscal 2015, primarily due to lower salaries and incentive compensation costs, reflecting a 5% decrease in average headcount, lower operating performance against goals and the favorable impact of foreign exchange rate fluctuations.

Total compensation costs included in operating expenses decreased $18 million, or 1% during fiscal 2015 compared to fiscal 2014, primarily due to a decrease in incentive compensation costs, reflecting lower operating performance against goals, and lower stock-based compensation expense.

Sales and Marketing (in millions, except percentages):

	Fiscal Year				
	2016	2015	% Change	2014	% Change
Sales and marketing expenses	$ 1,792	$ 1,913	(6)%	$ 1,898	1%

Sales and marketing expenses consist primarily of compensation costs, commissions, outside services, allocated facilities and IT costs, advertising and marketing promotional expense and travel and entertainment expense. The changes in sales and marketing expenses consisted of the following:

	Fiscal 2016 to Fiscal 2015 Percentage Change Points	Fiscal 2015 to Fiscal 2014 Percentage Change Points
Compensation costs	(2)	(1)
Facilities and IT support costs	(2)	—
Other	(2)	2
Total change	(6)	1

The decrease in sales and marketing expenses in fiscal 2016 reflects the approximately 4% favorable impact of fluctuations in foreign exchange rates. Additionally, the decrease in compensation costs during fiscal 2016 reflects lower average headcount from the prior year. Facilities and IT support costs decreased during fiscal 2016 primarily due to cost reduction initiatives.

The decrease in compensation costs during fiscal 2015 is primarily due to lower stock-based compensation and salaries expense, reflecting lower compensation cost per headcount that was partially offset by a 5% increase in headcount. In addition, foreign exchange rate changes resulted in a favorable impact of approximately 2% during fiscal 2015.

Research and Development (in millions, except percentages):

	Fiscal Year				
	2016	2015	% Change	2014	% Change
Research and development expenses	$ 861	$ 920	(6)%	$ 918	—%

Research and development expenses consist primarily of compensation costs, allocated facilities and IT costs, depreciation, equipment and software related costs, prototypes, non-recurring engineering charges and other outside services costs. Changes in research and development expense consisted of the following:

	Fiscal 2016 to Fiscal 2015 Percentage Change Points	Fiscal 2015 to Fiscal 2014 Percentage Change Points
Compensation costs	(3)	—
Facilities and IT support costs	(1)	—
Other	(2)	—
Total change	(6)	—

The decrease in compensation costs during fiscal 2016 was primarily due to lower salaries and incentive compensation costs, reflecting a 6% decrease in average headcount. Facilities and IT support costs decreased during fiscal 2016 primarily due to cost reduction initiatives.

Research and development expenses were relatively flat in fiscal 2015 compared to fiscal 2014.

General and Administrative (in millions, except percentages):

	Fiscal Year				
	2016	2015	% Change	2014	% Change
General and administrative expenses	$ 307	$ 284	8%	$ 281	1%

General and administrative expenses consist primarily of compensation costs, professional and corporate legal fees, outside services and allocated facilities and IT support costs. Changes in general and administrative expense consisted of the following:

	Fiscal 2016 to Fiscal 2015 Percentage Change Points	Fiscal 2015 to Fiscal 2014 Percentage Change Points
Compensation costs	4	(1)
Professional and legal fees and outside services	7	1
Facilities and IT support costs	(3)	—
Other	—	1
Total change	8	1

The increase in compensation costs in fiscal 2016 was primarily due to higher stock-based compensation, salaries and benefit costs. The increase in professional and legal fees and outside services expense in fiscal 2016 was primarily due to higher spending levels on consulting fees and projects. Facilities and IT support costs decreased during fiscal 2016 primarily due to cost reduction initiatives.

The decrease in compensation costs during 2015 is primarily due to lower incentive compensation costs, stock-based compensation and benefits expenses, partially offset by higher salaries due to a 5% increase in headcount. The increase in professional and legal fees and outside services during 2015 reflects higher spending levels on contractors and professional services.

Restructuring and Other Charges (in millions, except percentages):

	Fiscal Year				
	2016	2015	% Change	2014	% Change
Restructuring and other charges	$ 108	—	NM	$ 88	(100)%

NM - Not Meaningful

In response to changes in market conditions and market demand for our products, in March 2016, May 2015, March 2014 and May 2013, we initiated business realignment plans designed to streamline our business, reduce our cost structure and focus our resources on key strategic opportunities, resulting in aggregate reductions of our global workforce of approximately 14% and 11% in fiscal 2016 and 2014, respectively, for which we recognized aggregate charges of $108 million and $88 million, consisting primarily of employee severance costs. We have completed all activities under our restructuring plans with the exception of the March 2016 plan, which we expect to complete in the first half of fiscal 2017 with no significant additional costs. See Note 13 – Restructuring and Other Charges of the Notes to Consolidated Financial Statements for more details regarding our restructuring plans.

Acquisition-related Expense (in millions, except percentages):

	Fiscal Year				
	2016	2015	% Change	2014	% Change
Acquisition-related expense	$ 8	$ —	NM	$ —	—%

NM - Not Meaningful

During fiscal 2016, we incurred $8 million of acquisition costs, primarily related to legal and consulting fees, employee severance costs, and asset impairments associated with our acquisition of SolidFire.

Gain on Sale of Properties (in millions, except percentages):

	Fiscal Year				
	2016	2015	% Change	2014	% Change
Gain on sale of properties	$ (51)	$ —	NM	$ —	—%

NM - Not Meaningful

In fiscal 2016, we sold certain properties, which had a net book value of $51 million and related sales proceeds of $102 million, resulting in a gain of $51 million.

Other Income (Expense), Net (in millions, except percentages)

The components of other income (expense), net were as follows:

	Fiscal Year				
	2016	2015	% Change	2014	% Change
Interest income	$ 46	$ 37	24%	$ 35	5%
Interest expense	(49)	(42)	17%	(36)	16%
Net gains (losses) recognized on investments	—	6	(100)%	7	(16)%
Net gains (losses) on foreign currency activities	—	(4)	(100)%	1	NM
Total	$ (3)	$ (3)	—%	$ 7	NM

NM - Not Meaningful

Interest income increased during fiscal 2016 compared to fiscal 2015, and fiscal 2015 compared to fiscal 2014, primarily due to a shift in our investment portfolio to higher-yielding investments.

Interest expense, including the amortization of debt discount and issuance costs, is primarily related to our Senior Notes. In addition, in fiscal 2014, we also incurred interest expense related to our Convertible Notes that matured in June 2013.

Provision for Income Taxes (in millions, except percentages):

	Fiscal Year				
	2016	2015	% Change	2014	% Change
Provision for income taxes	$ 116	$ 153	(24)%	$ 103	48%

Our effective tax rate for fiscal 2016 was 33.6% compared to an effective tax rate of 21.5% for fiscal 2015, and an effective tax rate of 13.9% for fiscal 2014. Our effective tax rates reflect our corporate legal entity structure and the global nature of our business with a significant amount of our profits generated and taxed in foreign jurisdictions at rates below the U.S. statutory tax rate. The effective tax rates for fiscal 2014 through fiscal 2016 were favorably impacted by the geographic mix of profits. Our effective tax rate for fiscal 2016 increased compared to the prior year primarily as a result of a $64 million income tax charge associated with the integration of SolidFire into our worldwide operations, as well as $20 million in charges related to the settlements of income tax audits, as further discussed below.

The effective tax rate of 33.6% in fiscal 2016 included a benefit of $81 million, or 23.5 percentage points, from foreign profits taxed at effective tax rates lower than the U.S. federal statutory rate of 35%. Other key components of our effective tax rate for the year included a charge of $64 million, or 18.6 percentage points, related to the integration of SolidFire intellectual property into our tax structure, charges of $20 million, or 5.8 percentage points, in connection with the settlement of income tax audits, a benefit of $14 million, or 4.1 percentage points, related to current and prior year research and development credits, a tax charge of $13 million, or 3.8 percentage points, attributable to non-deductible stock-based compensation and a benefit of $10 million, or 2.9 percentage points, related to the domestic production activities deduction.

The effective tax rate of 21.5% in fiscal 2015 included a benefit of $141 million, or 19.8 percentage points, from foreign profits taxed at effective tax rates lower than the U.S. federal statutory rate of 35%. Other key components of our effective tax rate for the year included a benefit of $14 million, or 1.9 percentage points, related to current and prior year research and development credits, a benefit of $5 million, or 0.7 percentage points, related to the domestic production activities deduction, and charges of $46 million, or 6.5 percentage points, in connection with income tax audits.

The effective tax rate of 13.9% in fiscal 2014 included a benefit of $163 million, or 22.0 percentage points, from foreign profits taxed at effective tax rates lower than the U.S. federal statutory rate of 35%. Other key components of our effective tax rate for the year included a benefit of $9 million, or 1.2 percentage points, related to current year research and development credits and a charge of $10 million, or 1.3 percentage points, attributable to non-deductible stock-based compensation and a benefit of $6 million, or 0.8 percentage points, related to the domestic production activities deduction.

In December 2015, the enactment of the Protecting Americans from Tax Hikes Act of 2015 permanently extended the federal research credit which had previously expired on December 31, 2014. As a result of the extension, during fiscal 2016, we recorded a benefit of $10 million related to the current year research credit and a benefit of $4 million related to a prior year credit that we retroactively claimed.

In December 2014, the Tax Increase Prevention Act of 2014 extended the federal research credit for amounts paid or incurred after December 31, 2013 and before January 1, 2015. As a result of the extension, in fiscal 2015 we recorded a benefit of $10 million related to the fiscal 2015 research credit and a benefit of $4 million related to a prior year credit that was retroactively claimed.

In June 2015, the Internal Revenue Service (IRS) signed a closing agreement with respect to transfer pricing arrangements and, in October 2015, completed the examination of our fiscal 2008 to 2010 income tax returns. During fiscal 2016, we recorded a tax charge of $23 million attributable to transfer pricing and other audit settlements and the related re-measurement of uncertain tax positions for tax years subject to future audits.

In July 2014, the IRS completed the examination of our fiscal 2005 to 2007 income tax returns upon approval by the Joint Committee of Taxation. During fiscal 2015, we recorded a tax charge of $47 million attributable to the audit settlement and related re-measurements of uncertain tax positions for tax years subject to future audits.

We are currently undergoing federal income tax audits in the United States and several foreign tax jurisdictions. Transfer pricing calculations are key issues under audits in various jurisdictions, and are often subject to dispute and appeals. Our open years in U.S. federal jurisdictions are fiscal 2012 and later years. In addition, we are effectively subject to federal tax examination adjustments for tax years ended on or after fiscal year 2001, in that we have tax attribute carryforwards from these years that could be subject to adjustments in the tax years of utilization.

On September 17, 2010, the Danish Tax Authorities issued a decision concluding that distributions declared in 2005 and 2006 from our Danish subsidiary were subject to Danish at-source dividend withholding tax. We do not believe that our Danish subsidiary is liable for withholding tax and filed an appeal with the Danish Tax Tribunal to that effect. On December 19, 2011, the Danish Tax Tribunal issued a ruling that our Danish subsidiary was not liable for Danish withholding tax. The Danish tax examination agency appealed to the Danish High Court in March 2012. In February 2016, the Danish High Court referred the case to the European Court of Justice.

We continue to monitor the progress of ongoing tax controversies and the impact, if any, of the expected expiration of the statute of limitations in various taxing jurisdictions. We engage in continuous discussion and negotiation with taxing authorities regarding tax matters in multiple jurisdictions. We believe that within the next 12 months, it is reasonably possible that either certain audits will conclude, certain statutes of limitations will lapse, or both. Based on current information, we do not expect significant changes to our existing unrecognized tax benefits as of April 29, 2016.

Liquidity, Capital Resources and Cash Requirements

(In millions, except percentages)	**April 29, 2016**	**April 24, 2015**
Cash and cash equivalents and short-term investments	$ 5,303	$ 5,326
Principal amount of debt	$ 2,350	$ 1,500
Debt as a % of stockholders' equity	82%	44%

The following is a summary of our cash flow activities:

(In millions)	Fiscal Year 2016	Fiscal Year 2015
Net cash provided by operating activities	$ 974	$ 1,268
Net cash provided by (used in) investing activities	85	(903)
Net cash used in financing activities	(109)	(675)
Effect of exchange rate changes on cash and cash equivalents	(4)	(59)
Net increase (decrease) in cash and cash equivalents	$ 946	$ (369)

Cash Flows

As of April 29, 2016, our cash, cash equivalents and short-term investments totaled $5.3 billion, reflecting a minimal decrease of $23 million from April 24, 2015. The decrease was primarily due to $960 million in cash paid for the repurchase of our common stock and $210 million in cash used for the payment of dividends, partially offset by $974 million of cash provided by operating activities, $102 million from the sale of properties and $148 million in proceeds from sale-leaseback transactions of certain of properties. Additionally, $870 million of cash was obtained through a short-term loan, which was primarily used to acquire SolidFire. Accounts receivable DSO was 54 days for the fourth quarter of fiscal 2016 compared to 46 days for the fourth quarter of fiscal 2015 reflecting seasonal shipment linearity. Working capital decreased by $1.3 billion to $2.8 billion as of April 29, 2016 primarily as a result of the short-term loan.

Cash Flows from Operating Activities

During fiscal 2016, we generated cash from operating activities of $974 million, reflecting net income of $229 million, adjusted by non-cash depreciation and amortization of $279 million, stock-based compensation of $260 million, partially offset by adjustments for a deferred income tax provision of $113 million and a gain on sale of properties of $51 million.

Changes in assets and liabilities during fiscal 2016 included the following:

- *Other operating assets* decreased $109 million, primarily due to decreases in manufacturing-related activities.
- *Deferred revenue and financed unearned services revenue* increased $186 million, primarily due to an increase in maintenance services contract renewals.

During fiscal 2015, we generated cash from operating activities of $1.3 billion. The primary sources of cash from operating activities during fiscal 2015 consisted of net income of $560 million, adjusted by non-cash depreciation and amortization of $307 million and stock-based compensation of $259 million.

Changes in assets and liabilities during fiscal 2015 included the following:

- *Accounts receivable* decreased primarily due to lower invoicing levels.
- *Accrued expenses* decreased primarily due to employee compensation payouts related to fiscal year 2014 incentive compensation plans and restructuring obligations.
- *Deferred revenue and financed unearned services revenue* increased due to an increase in deferred software and hardware maintenance contract revenues.

We expect that cash provided by operating activities may materially fluctuate in future periods as a result of a number of factors, including fluctuations in our operating results, shipment linearity, accounts receivable collections performance, inventory and supply chain management, tax benefits or charges from stock-based compensation, and the timing and amount of compensation and other payments.

Cash Flows from Investing Activities

During fiscal 2016, we generated $982 million from maturities and sales of investments, net of purchases, expended $842 million of cash on the SolidFire acquisition, net of cash acquired, paid $160 million for capital expenditures and received $102 million of proceeds from the sale of properties.

During fiscal 2015, we used $645 million for purchases of investments, net of maturities and sales, and paid $175 million for capital expenditures. In addition, we expended $85 million of cash on acquisitions.

Cash Flows from Financing Activities

During fiscal 2016, we borrowed $870 million under a short-term loan which was used primarily to fund the acquisition of SolidFire. We used $960 million for the repurchase of 33 million shares of our common stock, $210 million for the payment of dividends and received $148 million of proceeds under sale-leaseback transactions.

During fiscal 2015, we generated $495 million, net, from the issuance of long-term debt and used $1.2 billion for the repurchase of 30 million shares of our common stock and $208 million for the payment of dividends.

Key factors that could affect our cash flows include changes in our revenue mix and profitability, our ability to effectively manage our working capital, in particular, accounts receivable and inventories, the timing and amount of stock repurchases and payment of cash dividends, the impact of foreign exchange rate changes, our ability to effectively integrate acquired products, businesses and technologies, and the timing of repayments of our debt. Based on past performance and our current business outlook, we believe that our sources of liquidity, including potential future issuances of debt, equity or other securities, will satisfy our working capital needs, capital expenditures, investment requirements, stock repurchases, cash dividends, contractual obligations, commitments, principal and interest payments on our debt and other liquidity requirements associated with operations and meet our cash requirements for at least the next 12 months. However, in the event our liquidity is insufficient, we may be required to curtail spending and implement additional cost saving measures and restructuring actions or enter into new financing arrangements. We cannot be certain that we will continue to generate cash flows at or above current levels or that we will be able to obtain additional financing, if necessary, on satisfactory terms, if at all.

Liquidity

Our principal sources of liquidity as of April 29, 2016 consisted of cash, cash equivalents and short-term investments, as well as cash we expect to generate from operations.

Cash, cash equivalents and short-term investments consisted of the following (in millions):

	April 29, 2016	April 24, 2015
Cash and cash equivalents	$ 2,868	$ 1,922
Short-term investments	2,435	3,404
Total	$ 5,303	$ 5,326

As of April 29, 2016 and April 24, 2015, $4.8 billion and $4.7 billion, respectively, of cash, cash equivalents and short-term investments were held by various foreign subsidiaries and were generally based in U.S. dollar-denominated holdings, while $0.5 billion and $0.6 billion, respectively, were available in the U.S. Most of the amounts held outside the U.S. can be repatriated to the U.S. but, under current law, would be subject to U.S. federal, state income and foreign withholding taxes. If we were to repatriate foreign earnings to fund cash requirements in the U.S., we would incur U.S. federal and state income taxes reduced by the current amount of our U.S. federal and state tax credit carryforwards. However, our intent is to keep these funds permanently reinvested outside of the U.S., and our current plans do not contemplate a need to repatriate them to fund our U.S. operations. Our principal liquidity requirements are primarily to meet our working capital needs, support ongoing business activities, fund research and development, meet capital expenditure needs, and invest in critical or complementary technologies, and service interest and principal payments on our debt.

The principal objectives of our investment policy are the preservation of principal and maintenance of liquidity. We attempt to mitigate default risk by investing in high-quality investment grade securities, limiting the time to maturity and monitoring the counter-parties and underlying obligors closely. We believe our cash equivalents and short-term investments are liquid and accessible. We are not aware of any significant deterioration in the fair value of our cash equivalents or investments from the values reported as of April 29, 2016.

Our investment portfolio has been and will continue to be exposed to market risk due to trends in the credit and capital markets. We continue to closely monitor current economic and market events to minimize the market risk of our investment portfolio. We utilize a variety of planning and financing strategies in an effort to ensure our worldwide cash is available when and where it is needed. Based on past performance and current expectations, we believe our cash and cash equivalents, investments, cash generated from operations, and ability to access capital markets and committed credit lines will satisfy, through at least the next 12 months, our liquidity requirements, both in total and domestically, including the following: working capital needs, capital expenditures, stock repurchases, cash dividends, contractual obligations, commitments, principal and interest payments on debt, and other liquidity requirements associated with our operations. We routinely monitor our financial exposure to both sovereign and non-sovereign borrowers and counterparties.

Senior Notes

The following table summarizes the principal amount of our Senior Notes as of April 29, 2016 (in millions):

2.00% Senior Notes Due 2017	$	750
3.375% Senior Notes Due 2021		500
3.25% Senior Notes Due 2022		250
Total	$	1,500

Interest on the Senior Notes is payable semi-annually. For further information on the underlying terms, see Note 10 – Financing Arrangements of the Notes to Consolidated Financial Statements.

Short-Term Loan

In February 2016, in connection with our acquisition of SolidFire, we entered into a short-term loan that matures on November 2, 2016, that we expect to repay using funds generated by our global operations. As of April 29, 2016, $850 million of the loan principal remained outstanding. The loan is subject to the same covenants as our credit facility described below.

Credit Facility

Our credit facility, under which we may borrow up to $300 million, provides another potential source of liquidity. The credit facility is an unsecured five-year revolving credit facility that terminates on December 21, 2017 if no extensions have been requested by that time, and contains financial covenants requiring us to maintain a maximum leverage ratio and a minimum interest coverage ratio. We may also, subject to certain requirements, request an increase in the facility up to an additional $50 million and request two additional one-year extensions, subject to certain conditions. As of April 29, 2016, no borrowings were outstanding under the facility and we were in compliance with all covenants associated with the facility.

We also have an automatic shelf registration statement on file with the Securities and Exchange Commission. We may in the future offer an additional unspecified amount of debt, equity and other securities.

Capital Expenditure Requirements

We expect to fund our capital expenditures, including our commitments related to facilities, equipment, operating leases and internal-use software development projects over the next few years through existing cash, cash equivalents, investments and cash generated from operations. The timing and amount of our capital requirements cannot be precisely determined and will depend on a number of factors, including future demand for products, changes in the network storage industry, hiring plans and our decisions related to the financing of our facilities and equipment requirements. We anticipate capital expenditures for fiscal 2017 to be between $150 million and $200 million.

Dividends and Stock Repurchase Program

On May 25, 2016, we declared a cash dividend of $0.19 per share of common stock, payable on July 27, 2016 to holders of record as of the close of business on July 18, 2016.

As of April 29, 2016, our Board of Directors has authorized the repurchase of up to $9.6 billion of our common stock under our stock repurchase program. Under this program, we can purchase shares of our outstanding common stock through open market and privately negotiated transactions at prices deemed appropriate by our management. The stock repurchase program may be suspended or discontinued at any time. Since the May 13, 2003 inception of this program through April 29, 2016, we repurchased a total of 247 million shares of our common stock at an average price of $32.85 per share, for an aggregate purchase price of $8.1 billion. As of April 29, 2016, the remaining authorized amount for stock repurchases under this program was $1.5 billion with no termination date, which we plan to complete by May 2018.

The timing and amount of stock repurchase transactions and future dividends will depend on market conditions, corporate business and financial considerations and regulatory requirements.

March 2016 Restructuring Plan

In the fourth quarter of fiscal 2016, we initiated a restructuring plan to streamline our business and reduce operating expenses. We expect to incur approximately $45 million of additional cash expenditures in connection with this plan in the first two quarters of fiscal 2017.

Contractual Obligations

The impact of contractual obligations on our liquidity and capital resources in future periods should be analyzed in conjunction with the factors that impact our cash flows from operations discussed previously. The following table summarizes our contractual obligations at April 29, 2016 (in millions):

	2017	2018	2019	2020	2021	Thereafter	Total
Office space and equipment lease commitments	$ 60	$ 50	$ 39	$ 31	$ 23	$ 50	$ 253
Purchase commitments with contract manufacturers (1)	211	—	—	—	—	—	211
Construction related obligations	37	—	—	—	—	—	37
Other purchase obligations (2)	88	29	13	7	4	11	152
Total off-balance sheet commitments	396	79	52	38	27	61	653
Short-term loan (3)	850	—	—	—	—	—	850
Long-term debt obligations (4)	40	790	25	25	25	775	1,680
Long-term financing arrangements	6	3	—	—	—	—	9
Sale-leaseback financing obligations (5)	19	129	—	—	—	—	148
Uncertain tax positions (6)							152
Total contractual obligations	$ 1,311	$ 1,001	$ 77	$ 63	$ 52	$ 836	$ 3,492
Other Commercial Commitments:							
Letters of credit	$ 10	$ 2	$ —	$ 2	$ —	$ —	$ 14

(1) Contract manufacturer commitments consist of obligations for on-hand inventories and non-cancelable purchase orders with our contract manufacturers. We record a liability for firm, non-cancelable and unconditional purchase commitments with contract manufacturers for quantities in excess of our future demand forecasts. As of April 29, 2016, such liability amounted to $7 million and is included in accrued expenses in our consolidated balance sheets. To the extent that such forecasts are not achieved, our commitments and associated accruals may change.

(2) Purchase obligations represent an estimate of all open purchase orders and contractual obligations associated with our ordinary course of business, in addition to inventory commitments with contract manufacturers, for which we have not received the goods or services. Purchase obligations do not include contracts that may be cancelled without penalty. Although open purchase orders are considered enforceable and legally binding, the terms generally allow us the option to cancel, reschedule, and adjust our requirements based on our business needs prior to the delivery of goods or performance of services.

(3) Represents principal payments on our short-term loan. Interest payments will vary depending on the timing of repayments of the principal and LIBOR rates.

(4) Included in long-term debt are obligations related to our $1.5 billion principal amount of our Senior Notes, of which $750 million is due in December 2017, $500 million is due in June 2021 and $250 million is due in December 2022. Estimated interest payments for our long-term debt, assuming no early retirement of debt obligations, are $180 million for fiscal 2017 through fiscal 2023.

(5) Sale-leaseback financing obligations are non-cash obligations as discussed below.

(6) As of April 29, 2016, our liability for uncertain tax positions was $152 million, including interest, penalties and offsetting indirect benefits, which due to the uncertainty of the timing of future payments, are presented in the total column on a separate line in this table.

Some of the amounts in the table above are based on management's estimates and assumptions, including the commitment duration, the possibility of renewal or termination, anticipated actions by management and third parties and other factors. Because these estimates and assumptions are subjective, our actual future obligations may vary from those reflected in the table.

Sale-leaseback Transaction

In fiscal 2016 we entered into sale-leaseback arrangements of certain of our land and buildings, under which we leased back certain of our properties rent free over lease terms ending at various dates ranging from March 31, 2017 to December 31, 2017, unless terminated early by us. Due to the existence of a prohibited form of continuing involvement, these properties did not qualify for sale-leaseback accounting and as a result they have been accounted for as financing transactions under lease accounting standards. Under the financing method, the assets, which had a net book value of $67 million at the date of the transactions, will remain on our consolidated balance sheets and proceeds received by us from these transactions of $148 million are reported as financing obligations. At the end of each respective leaseback period, or when our continuing involvement under the leaseback agreements ends, each transaction will be reported as a non-cash sale of land and buildings and extinguishment of financing obligations, and the difference between the then net book value of the properties and the unamortized balance of the financing obligations will be recognized as a gain on sale of properties. These financing obligations are reflected as non-cash obligations in the preceding commitments table.

Financial Guarantee Instruments

In the ordinary course of business, we provide standby letters of credit or other guarantee instruments to third parties as required for certain transactions initiated either by us or our subsidiaries. As of April 29, 2016, our financial guarantees of $14 million that were not recorded on our consolidated balance sheets consisted primarily of standby letters of credit and surety bonds.

Financing Guarantees

While most of our arrangements for sales include short-term payment terms, from time to time we provide long-term financing to creditworthy customers. We have generally sold receivables financed through these arrangements on a non-recourse basis to third party financing institutions within 10 days of the contracts' dates of execution, and we classify the proceeds from these sales as cash flows from operating activities in our consolidated statements of cash flows. We account for the sales of these receivables as "true sales" as defined in the accounting standards on transfers of financial assets, as we are considered to have surrendered control of these financing receivables. Provided all other revenue recognition criteria have been met, we recognize product revenues for these arrangements, net of any payment discounts from financing transactions, upon product acceptance. We sold $243 million and $197 million of receivables during fiscal 2016 and 2015, respectively.

In addition, we enter into arrangements with leasing companies for the sale of our hardware systems products. These leasing companies, in turn, lease our products to end-users. The leasing companies generally have no recourse to us in the event of default by the end-user and we recognize revenue upon delivery to the end-user customer, if all other revenue recognition criteria have been met.

Some of the leasing arrangements described above have been financed on a recourse basis through third-party financing institutions. Under the terms of recourse leases, which are generally three years or less, we remain liable for the aggregate unpaid remaining lease payments to the third-party leasing companies in the event of end-user customer default. These arrangements are generally collateralized by a security interest in the underlying assets. Where we provide a guarantee for recourse leases, we defer revenues subject to the industry-specific software revenue recognition guidance and recognize revenues for non-software deliverables in accordance with our multiple deliverable revenue arrangement policy. In connection with certain recourse financing arrangements, we receive advance payments associated with undelivered elements that are subject to customer refund rights. As of April 29, 2016 and April 24, 2015, the aggregate amount by which such contingencies exceeded the associated liabilities was not significant. To date, we have not experienced material losses under our lease financing programs or other financing arrangements.

We have entered into service contracts with certain of our end-user customers that are supported by third-party financing arrangements. If a service contract is terminated as a result of our non-performance under the contract or our failure to comply with the terms of the financing arrangement, we could, under certain circumstances, be required to acquire certain assets related to the service contract or to pay the aggregate unpaid payments under such arrangements. As of April 29, 2016, we have not been required to make any payments under these arrangements, and we believe the likelihood of having to acquire a material amount of assets or make payments under these arrangements is remote. The portion of the financial arrangement that represents unearned services revenue is included in deferred revenue and financed unearned services revenue in our consolidated balance sheets.

Indemnification Agreements

We enter into indemnification agreements with third parties in the ordinary course of business. Generally, these indemnification agreements require us to reimburse losses suffered by the third-parties due to various events, such as lawsuits arising from patent or copyright infringement. These indemnification obligations are considered off-balance sheet arrangements under accounting guidance.

Legal Contingencies

We are subject to various legal proceedings and claims which arise in the normal course of business. See further details on such matters in Note 18 – Commitments and Contingencies of the Notes to Consolidated Financial Statements.

Item 7A. *Quantitative and Qualitative Disclosures about Market Risk*

We are exposed to market risk related to fluctuations in interest rates, market prices, and foreign currency exchange rates. We use certain derivative financial instruments to manage foreign currency exchange 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 Risk and Market Interest Risk

Investment and Interest Income — As of April 29, 2016, we had debt investments of $2.4 billion. Our investment portfolio primarily consists of investments with original maturities greater than three months at the date of purchase, which are classified as available-for-sale investments. These investments, which consist primarily of corporate bonds, U.S. Treasury and government debt securities, commercial paper, and certificates of deposit, are subject to interest rate and interest income risk and will decrease in value if market interest rates increase. Conversely, declines in interest rates, including the impact from lower credit spreads, could have a material adverse impact on interest income for our investment portfolio. A hypothetical 100 basis point increase in market interest rates from levels as of April 29, 2016 would have resulted in a decrease in the fair value of our fixed-income securities of approximately $28 million. Volatility in market interest rates over time will cause variability in our interest income. We do not use derivative financial instruments in our investment portfolio.

Our investment policy is to limit credit exposure through diversification and investment in highly rated securities. We further mitigate concentrations of credit risk in our investments by limiting our investments in the debt securities of a single issuer and by diversifying risk across geographies and type of issuer. We actively review, along with our investment advisors, current investment ratings, company-specific events and general economic conditions in managing our investments and in determining whether there is a significant decline in fair value that is other-than-temporary. We monitor and evaluate our investment portfolio on a quarterly basis for any other-than-temporary impairments.

Debt — As of April 29, 2016, we have outstanding $1.5 billion aggregate principal amount of Senior Notes. We carry these instruments at face value less unamortized discount on our consolidated balance sheets. Since these instruments bear interest at fixed rates, we have no financial statement risk associated with changes in interest rates. However, the fair value of these instruments fluctuates when interest rates change. See Note 10 – Financing Arrangements of the Notes to Consolidated Financial Statements for more information.

Credit Facility and Short-term Loan — We are exposed to the impact of changes in interest rates in connection with our $300 million five-year revolving credit facility and our short-term loan. Borrowings under these arrangements accrue interest at rates that vary based on certain market rates and our credit rating on our Senior Notes. Consequently, our interest expense would fluctuate with any changes in these market interest rates or in our credit rating if we were to borrow any amounts under these arrangements. As of April 29, 2016, no amounts were outstanding under the credit facility and $850 million was outstanding under the short-term loan.

Foreign Currency Exchange Rate Risk

We hedge risks associated with foreign currency transactions to minimize the impact of changes in foreign currency exchange rates on earnings. We utilize foreign currency exchange forward and option contracts to hedge against the short-term impact of foreign currency fluctuations on certain foreign currency denominated monetary assets and liabilities. We also use foreign currency exchange forward contracts to hedge foreign currency exposures related to forecasted sales transactions denominated in certain foreign currencies. These derivatives are designated and qualify as cash flow hedges under accounting guidance for derivatives and hedging.

We do not enter into foreign currency exchange contracts for speculative or trading purposes. In entering into foreign currency exchange forward and option contracts, we have assumed the risk that might arise from the possible inability of counterparties to meet the terms of the contracts. We attempt to limit our exposure to credit risk by executing foreign currency exchange contracts with creditworthy multinational commercial banks. All contracts have a maturity of less than six months. See Note 12 – Derivatives and Hedging Activities of the Notes to Consolidated Financial Statements for more information regarding our derivatives and hedging activities.

Item 8. *Financial Statements and Supplementary Data*

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Consolidated Balance Sheets as of April 29, 2016 and April 24, 2015	52
Consolidated Statements of Operations for the years ended April 29, 2016, April 24, 2015 and April 25, 2014	53
Consolidated Statements of Comprehensive Income for the years ended April 29, 2016, April 24, 2015 and April 25, 2014	54
Consolidated Statements of Cash Flows for the years ended April 29, 2016, April 24, 2015 and April 25, 2014	55
Consolidated Statements of Stockholders' Equity for the years ended April 29, 2016, April 24, 2015 and April 25, 2014	56
Notes to Consolidated Financial Statements	57
Selected Quarterly Financial Data (Unaudited)	86
Reports of Independent Registered Public Accounting Firm	87

NETAPP, INC.

CONSOLIDATED BALANCE SHEETS

	April 29, 2016	April 24, 2015
	(In millions, except par value)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,868	$ 1,922
Short-term investments	2,435	3,404
Accounts receivable	813	779
Inventories	98	146
Other current assets	234	522
Total current assets	6,448	6,773
Property and equipment, net	937	1,030
Goodwill	1,676	1,027
Other intangible assets, net	180	90
Other non-current assets	796	481
Total assets	$ 10,037	$ 9,401
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 254	$ 284
Accrued expenses	765	701
Short-term loan	849	—
Short-term deferred revenue and financed unearned services revenue	1,794	1,724
Total current liabilities	3,662	2,709
Long-term debt	1,490	1,487
Other long-term liabilities	413	318
Long-term deferred revenue and financed unearned services revenue	1,591	1,473
Total liabilities	7,156	5,987
Commitments and contingencies (Note 18)		
Stockholders' equity:		
Preferred stock, $0.001 par value, 5 shares authorized; no shares issued or outstanding as of April 29, 2016 or April 24, 2015	—	—
Common stock and additional paid-in capital, $0.001 par value, (281 and 306 shares issued and outstanding as of April 29, 2016 and April 24, 2015, respectively)	2,912	3,385
Retained earnings	—	53
Accumulated other comprehensive loss	(31)	(24)
Total stockholders' equity	2,881	3,414
Total liabilities and stockholders' equity	$ 10,037	$ 9,401

See accompanying notes to consolidated financial statements.

NETAPP, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended		
	April 29, 2016	April 24, 2015	April 25, 2014
	(In millions, except per share amounts)		
Revenues:			
Product	$ 2,986	$ 3,655	$ 3,944
Software maintenance	949	899	915
Hardware maintenance and other services	1,611	1,569	1,466
Net revenues	5,546	6,123	6,325
Cost of revenues:			
Cost of product	1,558	1,657	1,777
Cost of software maintenance	37	36	31
Cost of hardware maintenance and other services	578	597	598
Total cost of revenues	2,173	2,290	2,406
Gross profit	3,373	3,833	3,919
Operating expenses:			
Sales and marketing	1,792	1,913	1,898
Research and development	861	920	918
General and administrative	307	284	281
Restructuring and other charges	108	—	88
Acquisition-related expense	8	—	—
Gain on sale of properties	(51)	—	—
Total operating expenses	3,025	3,117	3,185
Income from operations	348	716	734
Other income (expense), net	(3)	(3)	7
Income before income taxes	345	713	741
Provision for income taxes	116	153	103
Net income	$ 229	$ 560	$ 638
Net income per share:			
Basic	$ 0.78	$ 1.77	$ 1.87
Diluted	$ 0.77	$ 1.75	$ 1.83
Shares used in net income per share calculations:			
Basic	294	316	340
Diluted	297	321	348

See accompanying notes to consolidated financial statements.

NETAPP, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

.

	Year Ended		
	April 29, 2016	April 24, 2015	April 25, 2014
	(In millions)		
Net income	$ 229	$ 560	$ 638
Other comprehensive income (loss):			
Foreign currency translation adjustments	4	(28)	3
Defined benefit obligations:			
Defined benefit obligation adjustments	(7)	(12)	1
Reclassification adjustments related to defined benefit obligations	2	—	—
Income tax effect	2	4	—
Unrealized gains (losses) on available-for-sale securities:			
Unrealized holding gains (losses) arising during the period	(4)	2	(2)
Reclassification adjustments for gains included in net income	(1)	—	(1)
Income tax effect	—	—	1
Unrealized gains (losses) on cash flow hedges:			
Unrealized holding gains (losses) arising during the period	(4)	15	(4)
Reclassification adjustments for (gains) losses included in net income	1	(14)	2
Other comprehensive loss	(7)	(33)	—
Comprehensive income	$ 222	$ 527	$ 638

See accompanying notes to consolidated financial statements.

NETAPP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended		
	April 29, 2016	April 24, 2015	April 25, 2014
	(In millions)		
Cash flows from operating activities:			
Net income	$ 229	$ 560	$ 638
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	279	307	334
Stock-based compensation	260	259	273
Deferred income taxes	(113)	(3)	(76)
Excess tax benefit from stock-based compensation	(5)	(55)	(52)
Gain on sale of properties	(51)	—	—
Other non-cash items, net	75	35	27
Changes in assets and liabilities, net of acquisitions of businesses:			
Accounts receivable	(16)	75	(57)
Inventories	49	(24)	17
Other operating assets	109	13	75
Accounts payable	(53)	39	(12)
Accrued expenses	30	(67)	32
Deferred revenue and financed unearned services revenue	186	122	107
Other operating liabilities	(5)	7	44
Net cash provided by operating activities	974	1,268	1,350
Cash flows from investing activities:			
Purchases of investments	(1,589)	(2,597)	(1,019)
Maturities, sales and collections of investments	2,571	1,952	1,993
Purchases of property and equipment	(160)	(175)	(221)
Proceeds from sale of properties	102	—	—
Acquisitions of businesses, net of cash acquired	(842)	(85)	—
Other investing activities, net	3	2	7
Net cash provided by (used in) investing activities	85	(903)	760
Cash flows from financing activities:			
Issuance of common stock under employee stock award plans	70	157	201
Repurchase of common stock and forward contract	(960)	(1,165)	(1,881)
Excess tax benefit from stock-based compensation	5	55	52
Proceeds from sale-leaseback financing transactions	148	—	—
Proceeds from short-term loan	870	—	—
Issuance of long-term debt, net	—	495	—
Repayment of short-term loan	(20)	—	—
Repayment of long-term debt	—	—	(1,265)
Dividends paid	(210)	(208)	(202)
Other financing activities, net	(12)	(9)	(9)
Net cash used in financing activities	(109)	(675)	(3,104)
Effect of exchange rate changes on cash and cash equivalents	(4)	(59)	8
Net increase (decrease) in cash and cash equivalents	946	(369)	(986)
Cash and cash equivalents:			
Beginning of period	1,922	2,291	3,277
End of period	$ 2,868	$ 1,922	$ 2,291

See accompanying notes to consolidated financial statements.

NETAPP, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock and Additional Paid-in Capital		Treasury Stock			Accumulated	
	Shares	Amount	Shares	Amount	Retained Earnings	Other Comprehensive Income (Loss)	Total
	(In millions, except per share amounts)						
Balances, April 26, 2013	461	$ 4,740	(104)	$ (2,927)	$ 2,896	$ 9	$ 4,718
Net income	—	—	—	—	638	—	638
Other comprehensive income	—	—	—	—	—	—	—
Issuance of common stock under employee stock award plans, net of taxes	13	201	—	—	—	—	201
Conversion of convertible notes	5	—	—	—	—	—	—
Exercise of convertible note hedges	(4)	—	—	—	—	—	—
Exercise of warrants	1	—	—	—	—	—	—
Repurchase of common stock and forward contract	(47)	(813)	—	—	(1,068)	—	(1,881)
Retirement of treasury stock	(104)	(614)	104	2,927	(2,313)	—	—
Stock-based compensation	—	273	—	—	—	—	273
Income tax benefit from employee stock transactions	—	40	—	—	—	—	40
Cash dividends declared ($0.60 per common share)	—	(50)	—	—	(152)	—	(202)
Balances, April 25, 2014	325	3,777	—	—	1	9	3,787
Net income	—	—	—	—	560	—	560
Other comprehensive loss	—	—	—	—	—	(33)	(33)
Issuance of common stock under employee stock award plans, net of taxes	11	157	—	—	—	—	157
Repurchase of common stock	(30)	(813)	—	—	(352)	—	(1,165)
Stock-based compensation	—	259	—	—	—	—	259
Income tax benefit from employee stock transactions	—	57	—	—	—	—	57
Cash dividends declared ($0.66 per common share)	—	(52)	—	—	(156)	—	(208)
Balances, April 24, 2015	306	3,385	—	—	53	(24)	3,414
Net income	—	—	—	—	229	—	229
Other comprehensive loss	—	—	—	—	—	(7)	(7)
Issuance of common stock under employee stock award plans, net of taxes	8	70	—	—	—	—	70
Repurchase of common stock	(33)	(763)	—	—	(197)	—	(960)
Stock-based compensation	—	260	—	—	—	—	260
Income tax benefit from employee stock transactions	—	59	—	—	—	—	59
Income tax adjustments on other equity transactions	—	26	—	—	—	—	26
Cash dividends declared ($0.72 per common share)	—	(125)	—	—	(85)	—	(210)
Balances, April 29, 2016	281	$ 2,912	—	$ —	$ —	$ (31)	$ 2,881

See accompanying notes to consolidated financial statements.

1. Description of Business and Significant Accounting Policies

Description of Business —NetApp, Inc. (we, us, or the Company) provides software, systems and services to manage and store computer data. We enable enterprises, service providers, governmental organizations, and partners to envision, deploy and evolve their information technology environments and to reduce costs and risk while driving growth and success for their organizations.

Fiscal Year — Our fiscal year is reported on a 52- or 53-week year ending on the last Friday in April. An additional week is included in the first fiscal quarter approximately every six years to realign fiscal months with calendar months. Fiscal year 2016, ended on April 29, 2016, was a 53-week year. Our fiscal years 2015 and 2014, ended on April 24, 2015 and April 25, 2014, respectively, were each 52-week years. Unless otherwise stated, references to particular years, quarters, months and periods refer to the Company's fiscal years ended on the last Friday of April and the associated quarters, months and periods of those fiscal years.

Principles of Consolidation — The consolidated financial statements include the Company and its subsidiaries. Intercompany accounts and transactions are eliminated in consolidation.

Accounting Change — During fiscal 2016, we adopted an accounting standard that simplified the presentation of deferred taxes by requiring deferred tax assets and liabilities to be classified as noncurrent in a classified statement of financial position. We adopted this accounting standard prospectively. Accordingly, the prior period amounts in our consolidated balance sheets within this Annual Report on Form 10-K were not adjusted to conform to the new accounting standard. The adoption of this accounting standard was not material to our consolidated financial statements.

Use of Estimates — The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Such estimates include, but are not limited to, revenue recognition, reserves and allowances; inventory valuation and purchase order accruals; valuation of goodwill and intangibles; restructuring reserves; product warranties; employee benefit accruals; stock-based compensation; loss contingencies; investment impairments; income taxes and fair value measurements. Actual results could differ materially from those estimates.

Cash Equivalents — We consider all highly liquid debt investments with original maturities of three months or less at the time of purchase to be cash equivalents.

Available-for-Sale Investments — We classify our investments in debt securities as available-for-sale investments. Debt securities primarily consist of corporate bonds, U.S. Treasury and government debt securities and certificates of deposit. These available-for-sale investments are primarily held in the custody of a major financial institution. A specific identification method is used to determine the cost basis of debt securities sold. These investments are recorded in the consolidated balance sheets at fair value.

Unrealized gains and temporary losses, net of related taxes, are included in accumulated other comprehensive income (loss) (AOCI). Upon realization, those amounts are reclassified from AOCI to earnings. The amortization of premiums and discounts on the investments are included in our results of operations. Realized gains and losses on our available-for-sale investments are calculated based on the specific identification method.

We classify our investments as current or noncurrent based on the nature of the investments and their availability for use in current operations.

Other-than-Temporary Impairments on Investments — All of our available-for-sale investments are subject to periodic impairment review. When the fair value of a debt security is less than its amortized cost, it is deemed impaired, and we assess whether the impairment is other-than-temporary. An impairment is considered other-than-temporary if (i) we have the intent to sell the security, (ii) it is more likely than not that we will be required to sell the security before recovery of the entire amortized cost basis, or (iii) we do not expect to recover the entire amortized cost basis of the security. If impairment is considered other-than-temporary based on condition (i) or (ii) described above, the entire difference between the amortized cost and the fair value of the debt security is recognized in the results of operations. If an impairment is considered other-than-temporary based on condition (iii) described above, the amount representing credit losses (defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis of the debt security) is recognized in earnings, and the amount relating to all other factors is recognized in other comprehensive income (OCI).

Inventories — Inventories are stated at the lower of cost or market, which approximates actual cost on a first-in, first-out basis. We write down excess and obsolete inventory based on the difference between the cost of inventory and the estimated net realizable value based upon assumptions about future demand forecasts and market conditions. At the point of a loss recognition, a new, lower cost basis for that inventory is established, and subsequent changes in facts or circumstances do not result in the restoration or increase in that newly established basis. In addition, we record a liability for firm, non-cancelable and unconditional purchase commitments with contract manufacturers and suppliers for quantities in excess of our future demand forecasts consistent with our valuation of excess and obsolete inventory.

Property and Equipment — Property and equipment are recorded at cost.

Depreciation and amortization is computed using the straight-line method, generally over the following periods:

	Depreciation Life
Buildings and improvements	10 to 40 years
Furniture and fixtures	5 years
Computer, production, engineering and other equipment	2 to 3 years
Computer software	3 to 5 years
Leasehold improvements	Shorter of remaining lease term or useful life

Construction in progress will be depreciated over the estimated useful lives of the respective assets when they are ready for use. We capitalize interest on significant facility assets under construction and on significant software development projects.

Software Development Costs — The costs for the development of new software products and substantial enhancements to existing software products are expensed as incurred until technological feasibility has been established, at which time any additional costs would be capitalized in accordance with the accounting guidance for software. Because our current process for developing software is essentially completed concurrently with the establishment of technological feasibility, which occurs upon the completion of a working model, no costs have been capitalized for any of the periods presented.

Internal-Use Software Development Costs — We capitalize qualifying costs, which are incurred during the application development stage, for computer software developed or obtained for internal-use and amortize them over the software's estimated useful life.

Business Combinations — We recognize identifiable assets acquired and liabilities assumed at their acquisition date fair values. Goodwill as of the acquisition date is measured as the excess of consideration transferred over the net of the acquisition date fair values of the assets acquired and the liabilities assumed. While we use our best estimates and assumptions as a part of the purchase price allocation process to accurately value assets acquired and liabilities assumed at the acquisition date, our estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, we record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill to the extent that we identify adjustments to the preliminary purchase price allocation. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to our consolidated statements of operations.

Goodwill and Purchased Intangible Assets — Goodwill is recorded when the consideration paid for an acquisition exceeds the fair value of net tangible and intangible assets acquired. Purchased intangible assets with finite lives are amortized on a straight-line basis over their economic lives of three to six years for developed technology, two to eight years for customer contracts/relationships, two to three years for covenants not to compete and two to seven years for trademarks and trade names as we believe this method most closely reflects the pattern in which the economic benefits of the assets will be consumed. In-process research and development is accounted for as an indefinite lived intangible asset and is assessed for potential impairment annually until development is complete or when events or circumstances indicate that their carrying amounts might be impaired. Upon completion of development, in-process research and development is accounted for as a finite-lived intangible asset.

The carrying value of goodwill is tested for impairment on an annual basis in the fourth quarter of our fiscal year, or more frequently if we believe indicators of impairment exist. Triggering events for impairment reviews may be indicators such as adverse industry or economic trends, restructuring actions, lower projections of profitability, or a sustained decline in our market capitalization. The performance of the test involves a two-step process. The first step requires comparing the fair value of each of our reporting units to its carrying amount, including goodwill. We have three reporting units, the fair values of which are determined based on an allocation of our entity level market capitalization, as determined through quoted market prices. A potential impairment exists if the fair value of a reporting unit is lower than its carrying amount. The second step of the process is only performed if a potential impairment exists, and it involves determining the difference between the fair value of the reporting unit's net assets other than goodwill and the fair value of the reporting unit. If that difference is less than the net book value of goodwill, an impairment

exists and is recorded. We have not been required to perform this second step of the process because the fair values of each of our reporting units have substantially exceeded their respective carrying amounts in all periods presented.

Impairment of Long-Lived Assets — We review the carrying values of long-lived assets whenever events and circumstances, such as reductions in demand, lower projections of profitability, significant changes in the manner of our use of acquired assets, or significant negative industry or economic trends, indicate that the net book value of an asset may not be recovered through expected future cash flows from its use and eventual disposition. If this review indicates that there is an impairment, the impaired asset is written down to its fair value, which is typically calculated using: (i) quoted market prices and/or (ii) expected future cash flows utilizing a discount rate. Our estimates regarding future anticipated cash flows, the remaining economic life of the products and technologies, or both, may differ from those used to assess the recoverability of assets. In that event, impairment charges or shortened useful lives of certain long-lived assets may be required, resulting in charges to our consolidated statements of operations when such determinations are made.

Derivative Instruments — Our derivative instruments, which are carried at fair value in our consolidated balance sheets, consist of foreign currency exchange contracts as described below:

Balance Sheet Hedges — We utilize foreign currency exchange forward and option contracts to hedge against the short-term impact of foreign currency exchange rate fluctuations related to certain foreign currency denominated monetary assets and liabilities, primarily intercompany receivables and payables. These derivative instruments are not designated as hedging instruments and do not subject us to material balance sheet risk due to exchange rate movements because the gains and losses on these contracts are intended to offset the gains and losses in the underlying foreign currency denominated monetary assets and liabilities being hedged, and the net amount is included in earnings.

Cash Flow Hedges — We utilize foreign currency exchange forward contracts to hedge foreign currency exchange exposures related to forecasted sales transactions denominated in certain foreign currencies. These derivative instruments are designated and qualify as cash flow hedges and in general, closely match the underlying forecasted transactions in duration. The effective portion of the contracts' gains and losses resulting from changes in fair value is recorded in AOCI until the forecasted transaction is recognized in the consolidated statements of operations. When the forecasted transactions occur, we reclassify the related gains or losses on the cash flow hedges into net revenues. If the underlying forecasted transactions do not occur, or it becomes probable that they will not occur within the defined hedge period, the gains or losses on the related cash flow hedges are reclassified from AOCI and recognized immediately in earnings. We measure the effectiveness of hedges of forecasted transactions on a monthly basis by comparing the fair values of the designated foreign currency exchange forward purchase contracts with the fair values of the forecasted transactions. Any ineffective portion of the derivative hedging gain or loss, as well as changes in the fair value of the derivative's time value (which are excluded from the assessment of hedge effectiveness), are recognized in earnings.

Factors that could have an impact on the effectiveness of our hedging programs include the accuracy of forecasts and the volatility of foreign currency markets. These programs reduce, but do not entirely eliminate, the impact of currency exchange movements. Currently, we do not enter into any foreign currency exchange forward contracts to hedge exposures related to firm commitments. Cash flows from our derivative programs are included under operating activities in the consolidated statements of cash flows.

Revenue Recognition — We recognize revenue when:

- *Persuasive evidence of an arrangement exists*. Customarily we have a purchase order and/or contract prior to recognizing revenue on an arrangement from our end users, customers, value-added resellers or distributors.

- *Delivery has occurred*. Our product is physically delivered to our customers. We typically do not allow for restocking rights with any of our value-added resellers or distributors. Products shipped with acceptance criteria or return rights are not recognized as revenue until all criteria are achieved. We do not recognize revenue if undelivered products or services exist that are essential to the functionality of the delivered product in an arrangement.

- *The fee is fixed or determinable*. Arrangements with payment terms extending beyond our standard terms, conditions and practices are not considered to be fixed or determinable. Revenue from such arrangements is recognized at the earlier of customer payment or when the fees become due and payable. We typically do not allow for price-protection rights with any of our value-added resellers or distributors.

- *Collection is reasonably assured*. If there is considerable doubt surrounding the creditworthiness of a customer at the outset of an arrangement, the associated revenue is deferred and recognized upon cash receipt.

The hardware systems and software components essential to the functionality of the hardware systems are considered non-software deliverables and therefore are not subject to industry-specific software revenue recognition guidance.

Our product revenues also include revenues from the sale of non-essential software products. Non-essential software sales generally include a perpetual license to our software. Non-essential software sales are subject to the industry-specific software revenue recognition guidance.

Our multiple element arrangements may include our systems, software maintenance, hardware maintenance and other services. Software maintenance contracts entitle our customers to receive unspecified product upgrades and enhancements on a when-and-if-available basis, and patch releases. Hardware maintenance services include contracts for extended warranty, technical support and minimum response times. Other services include professional services and customer education and training services. Revenues from software maintenance and hardware maintenance services are recognized ratably over the contractual term, generally from one to five years. We also offer extended warranty contracts (which extend our standard parts warranty and may include premium hardware maintenance) at the end of the original warranty term; revenues from these contracts are recognized ratably over their respective contract term. We sell professional services either on a time and materials basis or under fixed price projects; we recognize revenue for these services as they are performed.

For multiple element arrangements, we allocate revenue to the software deliverables and the non-software deliverables as a group based on the relative selling prices of all of the deliverables in the arrangement. The selling price for each element is based upon the following selling price hierarchy: vendor specific objective evidence of selling price (VSOE) if available, third party evidence (TPE) if VSOE is not available, or estimated selling price (ESP) if neither VSOE nor TPE are available. ESP is generally evidenced by a majority of historical transactions falling within a reasonable price range. We also consider multiple factors, including, but not limited to, cost of products, gross margin objectives, historical pricing practices, type of customer and distribution channels. For our non-software deliverables, we generally allocate the arrangement consideration based on the relative selling price of the deliverables using ESP. For our software maintenance services, we generally use VSOE. When we are unable to establish VSOE for our software maintenance services, we use ESP in our allocation of arrangement consideration.

VSOE is based upon the normal pricing and discounting practices for those services when sold separately. VSOE is generally evidenced by a substantial majority of historical stand-alone transactions falling within a reasonably narrow range. In addition, we consider major service type, customer type, and other variables in determining VSOE.

When VSOE cannot be established, we attempt to establish the selling price of each element based on third party evidence of selling price (TPE). Generally, we are not able to determine TPE because our go-to-market strategy differs from that of our peers and our offerings contain a significant level of differentiation such that the comparable pricing of products with similar functionality cannot be obtained.

We regularly review VSOE, TPE, and ESP and maintain internal controls over the establishment and updates of these estimates.

For our software deliverables, we use the residual method to recognize revenue when an arrangement includes one or more elements to be delivered at a future date and VSOE of all undelivered elements exists. Typically, only software maintenance, hardware maintenance and/or other services remain undelivered after the product is delivered. Under the residual method, the fair value of the undelivered elements is deferred and the remaining portion of the consideration is recognized as product revenues for delivered elements. If evidence of the fair value of one or more undelivered elements does not exist, all revenue is generally deferred until the earlier of when delivery of those elements occurs or when fair value can be established. In instances where the only undelivered element without fair value is software maintenance, the entire arrangement is recognized ratably over the maintenance period.

We record reductions to revenue for estimated sales returns at the time of shipment. Sales returns are estimated based on historical sales returns, current trends, and our expectations regarding future experience. We monitor and analyze the accuracy of sales returns estimates by reviewing actual returns and adjust them for future expectations. Additionally, distributors and retail partners participate in various marketing and other programs, and we record estimated accruals and allowances for these programs. We accrue for these programs based on contractual terms and historical experience. Sales and value added taxes collected from customers and remitted to governmental authorities are presented on a net basis in the accompanying consolidated statements of operations.

Product Warranties — Estimated future hardware and software warranty costs are recorded as a cost of product revenues at the time of product shipment, based on historical and projected warranty claim rates, historical and projected cost-per-claim and knowledge of specific product failures that are outside our typical experience. Factors that affect our warranty liability include the number of installed units subject to warranty protection, product failure rates, and estimated materials, distribution and labor costs. We assess the adequacy of our warranty accrual each quarter and adjust the amount as considered necessary.

Foreign Currency Translation — For international subsidiaries whose functional currency is the local currency, gains and losses resulting from translation of these foreign currency financial statements into U.S. dollars are recorded in AOCI. For subsidiaries where the functional currency is the U.S. dollar, gains and losses resulting from the process of remeasuring foreign currency financial statements into U.S. dollars are included in other income (expense), net.

Benefit Plans — We have a postretirement health care plan and various international defined benefit plans for certain of our employees. We record actuarial gains and losses within AOCI and amortize net gains or losses in excess of 10 percent of the greater of

the market value of plan assets or the plans' projected benefit obligation on a straight-line basis over the remaining estimated service life of plan participants. The measurement date for all defined benefit plans is our fiscal year end.

Stock-Based Compensation — We measure and recognize stock-based compensation for all stock-based awards, including employee stock options, restricted stock units (RSUs), including time-based RSUs and performance-based RSUs (PBRSUs), and rights to purchase shares under our employee stock purchase plan (ESPP), based on their estimated fair value, and recognize the costs in our financial statements using the single option straight-line approach over the requisite service period for the entire award.

The fair value of employee time-based RSUs is equal to the market value of our common stock on the grant date of the award, less the present value of expected dividends during the vesting period, discounted at a risk-free interest rate. The fair value of PBRSUs is measured using a Monte Carlo simulation model on the date of grant.

The fair value of each award is estimated on the grant date and is not remeasured as a result of subsequent stock price fluctuations. Our expected term assumption is based primarily on historical exercise and post-vesting forfeiture experience. Our stock price volatility assumption is based on a combination of our historical and implied volatility. The risk-free interest rates are based upon United States Treasury bills with equivalent expected terms, and the expected dividends are based on our history and expected dividend payouts.

We estimate the number of stock-based awards that will be forfeited due to employee turnover. Our forfeiture assumption is primarily based on historical experience.

Income Taxes — Deferred income tax assets and liabilities are provided for temporary differences that will result in tax deductions or income in future periods, as well as the future benefit of tax credit carryforwards. A valuation allowance reduces tax assets to their estimated realizable value.

We recognize the tax liability for uncertain income tax positions on the income tax return based on the two-step process prescribed in the interpretation. The first step is to determine whether it is more likely than not that each income tax position would be sustained upon audit. The second step is to estimate and measure the tax benefit as the amount that has a greater than 50% likelihood of being realized upon ultimate settlement with the tax authority. Estimating these amounts requires us to determine the probability of various possible outcomes. We evaluate these uncertain tax positions on a quarterly basis. We recognize interest and penalties related to unrecognized tax benefits within the income tax expense line in the accompanying consolidated statements of operations.

Tax attributes related to the exercise of employee stock options are not realized until they result in a reduction of taxes payable. We do not include unrealized stock option attributes as components of our gross deferred tax assets and corresponding valuation allowance disclosures.

Net Income per Share — Basic net income per share is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding. Diluted net income per share is computed giving effect to all dilutive potential shares that were outstanding during the period. Potential dilutive common shares consist primarily of outstanding stock options, shares to be purchased under our employee stock purchase plan and unvested RSUs.

Treasury Stock — We account for treasury stock under the cost method. Upon the retirement of treasury stock, we allocate the value of treasury shares between common stock, additional paid-in capital and retained earnings.

2. Concentration of Risk

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash equivalents, investments, foreign currency exchange contracts and accounts receivable. Cash equivalents and short-term investments consist primarily of corporate bonds, U.S. Treasury and government debt securities and certificates of deposit, all of which are considered high investment grade. Our policy is to limit the amount of credit exposure through diversification and investment in highly rated securities. We further mitigate concentrations of credit risk in our investments by limiting our investments in the debt securities of a single issuer and by diversifying risk across geographies and type of issuer.

By entering into foreign currency exchange contracts, we have assumed the risk that might arise from the possible inability of counterparties to meet the terms of their contracts. The counterparties to these contracts are major multinational commercial banks, and we do not expect any losses as a result of counterparty defaults.

We sell our products primarily to large organizations in different industries and geographies. We do not require collateral or other security to support accounts receivable. In addition, we maintain an allowance for potential credit losses. To reduce credit risk, we perform ongoing credit evaluations on our customers' financial condition. We establish an allowance for doubtful accounts based upon factors surrounding the credit risk of customers, historical trends and other information and, to date, such losses have been within management's expectations. Concentrations of credit risk with respect to trade accounts receivable are limited due to the wide variety of customers who are dispersed across many geographic regions.

There are no concentrations of business transacted with a particular market that would severely impact our business in the near term. However, we rely on a limited number of suppliers for certain key components and a few key contract manufacturers to manufacture most of our products; any disruption or termination of these arrangements could materially adversely affect our operating results.

3. Recent Accounting Standards Not Yet Effective

In May 2014 the Financial Accounting Standards Board (FASB) issued an accounting standards update related to the recognition and reporting of revenue that establishes a comprehensive new revenue recognition model designed to depict the transfer of goods or services to a customer in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. The guidance allows for the use of either the full or modified retrospective transition method. This new standard, as amended, will be effective for us in our first quarter of fiscal 2019, although adoption in our first quarter of fiscal 2018 is permitted. We are currently evaluating the impact of this new standard on our consolidated financial statements, as well as which transition method and our planned adoption date.

In February 2016, the FASB issued an accounting standards update on financial reporting for leasing arrangements, including requiring lessees to recognize an operating lease with a term greater than one year on their balance sheet as a right-of-use asset and corresponding lease liability, measured at the present value of the lease payments. This new standard will be effective for us in our first quarter of fiscal 2020, although early adoption is permitted. Upon adoption, lessees must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. We are currently evaluating the impact of this new standard on our consolidated financial statements, as well as our planned adoption date.

In March 2016, the FASB issued an accounting standards update that impacts several aspects of the accounting for stock-based awards, including the income tax consequences, classification of awards as either equity or liabilities, and classification of activity in the statement of cash flows. The standard also provides for the ability to make an entity-wide accounting policy election to either estimate forfeitures, consistent with current GAAP, or to account for forfeitures as they occur. This new standard will be effective for us in our first quarter of fiscal 2018, although early adoption is permitted with a requirement that all amendments be adopted in the same period. We are currently evaluating the impact of this new standard on our consolidated financial statements, our planned adoption date, and the method of adoption for each amendment.

4. Statements of Cash Flows Additional Information

Non-cash investing activities and supplemental cash flow information are as follows (in millions):

	Year Ended		
	April 29, 2016	April 24, 2015	April 25, 2014
Non-cash Investing Activities:			
Capital expenditures incurred but not paid	$ 18	$ 12	$ 18
Acquisition of software through long-term financing	$ —	$ 12	$ 11
Supplemental Cash Flow Information:			
Income taxes paid, net of refunds	$ 161	$ 97	$ 58
Interest paid	$ 43	$ 33	$ 35

5. Business Combinations

SolidFire Acquisition

On February 2, 2016, we acquired all of the outstanding shares of privately-held SolidFire, Inc. (SolidFire), a maker of all-flash storage systems based in Colorado, for $850 million in cash. This acquisition extends our position in the all-flash array market by adding new flash offerings that will enhance our ability to deliver customers all-flash storage with a webscale architecture that simplifies data center operations and enables rapid deployments of new applications.

The acquired assets and assumed liabilities were recorded at their estimated fair values. We determined the estimated fair values with the assistance of valuations and appraisals performed by third party specialists and estimates made by management. We expect to realize revenue synergies, leverage and expand the existing SolidFire sales channels and product development resources, and utilize the existing workforce. We also anticipate opportunities for growth through the ability to leverage additional future products and

capabilities. These factors, among others, contributed to a purchase price in excess of the estimated fair value of SolidFire’s identifiable net assets acquired, and as a result, we have recorded goodwill in connection with this acquisition. The U.S. goodwill is not deductible for income tax purposes.

The preliminary fair values of assets acquired and liabilities assumed on the closing date are summarized as follows (in millions):

Cash	$	8
Intangible assets		168
Goodwill		649
Other assets		56
Total assets acquired		881
Liabilities assumed		(31)
Total purchase price	$	850

The components of intangible assets acquired were as follows (in millions, except useful life):

			Estimated useful life (years)
Developed technology	$	99	5
Customer contracts/relationships		41	3
Trade name		9	2
Total intangible assets subject to amortization		149	
In-process research and development		19	N/A
Total intangible assets	$	168	

N/A - Not applicable

In-process research and development was valued with input from valuation specialists using the multi-period excess earnings method under the income approach by discounting forecasted cash flows directly related to the products expected to result from the associated project, net of returns on contributory assets. The in-process development project acquired related to a major new generation of the SolidFire technology platform.

The following unaudited pro forma condensed combined financial information gives effect to the acquisition of SolidFire as if it had been consummated on April 26, 2014. The unaudited pro forma condensed combined financial information is presented for informational purposes only, and is not intended to represent or be indicative of the results of operations of the Company that would have been reported had the acquisition occurred on April 26, 2014 and should not be taken as representative of future consolidated results of operations of the combined company (in millions).

	Year Ended			
	April 29, 2016		April 24, 2015	
Net income	$	219	$	377

Adjustments have been reflected in the unaudited pro forma condensed combined information to include the amortization of identifiable intangible assets, purchase accounting adjustments to deferred revenue, interest expense related to the associated financing arrangement, costs directly attributable to the acquisition and impacts to our provision for income taxes as a result of the acquisition. Pro forma net revenues were not materially different than those presented in the consolidated statements of operations.

Fiscal 2015 Acquisitions

On October 27, 2014, we completed the acquisition of certain assets related to Riverbed Technology, Inc.’s SteelStore product line for $79 million in cash. The SteelStore product line supports leading backup applications and cloud providers so that customers have a choice in how they extend their existing data protection infrastructure into the cloud.

In addition, on the same date, we acquired certain intangible assets from a privately-held software developer for $6 million in cash.

Following are the fair values of net assets acquired as of the closing date (in millions):

Net tangible assets	$	14
Finite-lived intangible assets		32
Goodwill		39
Total purchase price	$	85

The results of operations related to these acquisitions have been included in our consolidated statements of operations from the acquisition date. Pro forma results of operations have not been presented because the acquisitions were not material to our results of operations.

6. Goodwill and Purchased Intangible Assets, Net

Goodwill activity is summarized as follows (in millions):

Balance as of April 25, 2014	$	988
Goodwill acquired		39
Balance as of April 24, 2015		1,027
Goodwill acquired		649
Balance as of April 29, 2016	$	1,676

Purchased intangible assets are summarized below (in millions):

	April 29, 2016			April 24, 2015		
	Gross Assets	Accumulated Amortization	Net Assets	Gross Assets	Accumulated Amortization	Net Assets
Developed technology	$ 403	$ (289)	$ 114	$ 313	$ (225)	$ 88
Customer contracts/relationships	46	(7)	39	5	(3)	2
Other purchased intangibles	10	(2)	8	3	(3)	—
Total intangible assets subject to amortization	459	(298)	161	321	(231)	90
In-process research and development	19	—	19	—	—	—
Total purchased intangible assets	$ 478	$ (298)	$ 180	$ 321	$ (231)	$ 90

During fiscal 2016, we recorded a charge of $11 million to fully impair developed technology related to our fiscal 2013 acquisition of CacheIQ as a result of our discontinued use of such technology. The impairment charge is included in accumulated amortization in the table above.

Amortization expense for purchased intangible assets is summarized below (in millions):

	Year Ended			Statement of Operations Classifications
	April 29, 2016	April 24, 2015	April 25, 2014	
Developed technology	$ 61	$ 63	$ 57	Cost of revenues
Customer contracts/relationships	5	1	1	Operating expenses
Other purchased intangibles	1	—	1	Operating expenses
Total	$ 67	$ 64	$ 59	

As of April 29, 2016, future amortization expense related to purchased intangible assets is as follows (in millions):

Fiscal Year		Amount
2017	$	64
2018		43
2019		35
2020		23
2021		15
Total	$	180

7. Balance Sheet Details

Cash and cash equivalents (in millions):

	April 29, 2016	April 24, 2015
Cash	$ 2,714	$ 1,666
Cash equivalents	154	256
Cash and cash equivalents	$ 2,868	$ 1,922

Inventories (in millions):

	April 29, 2016	April 24, 2015
Purchased components	$ 10	$ 36
Finished goods	88	110
Inventories	$ 98	$ 146

Other current assets (in millions):

	April 29, 2016	April 24, 2015
Prepaid expenses and other current assets	$ 234	$ 268
Deferred tax assets	—	254
Other current assets	$ 234	$ 522

Property and equipment, net (in millions):

	April 29, 2016	April 24, 2015
Land	$ 215	$ 265
Buildings and improvements	605	607
Leasehold improvements	106	107
Computer, production, engineering and other equipment	751	754
Computer software	352	372
Furniture and fixtures	88	85
Construction-in-progress	74	33
	2,191	2,223
Accumulated depreciation and amortization	(1,254)	(1,193)
Property and equipment, net	$ 937	$ 1,030

On April 19, 2016, we sold certain buildings and land in Sunnyvale, California which had a net book value of $118 million at the time of sale, for $250 million in cash. As described in Note 10 – Financing Arrangements, certain of the properties did not qualify as sales under accounting standards due to continuing involvement related to leaseback arrangements. The remaining properties, which had a net book value of $51 million and related sales proceeds of $102 million, were recognized as sales, resulting in a gain of $51 million in fiscal 2016.

Depreciation and amortization expense related to property and equipment, net is summarized below (in millions):

	Year Ended		
	April 29, 2016	April 24, 2015	April 25, 2014
Depreciation and amortization expense	$ 212	$ 243	$ 275

Other non-current assets (in millions):

	April 29, 2016	April 24, 2015
Deferred tax assets	$ 621	$ 256
Other assets	175	225
Other non-current assets	$ 796	$ 481

Accrued expenses (in millions):

	April 29, 2016	April 24, 2015
Accrued compensation and benefits	$ 371	$ 359
Product warranty liability	48	58
Other current liabilities	346	284
Accrued expenses	$ 765	$ 701

Product warranty liabilities:

Equipment and software systems sales include a standard product warranty. The following tables summarize the activity related to product warranty liabilities and their balances as reported in our consolidated balance sheets (in millions):

	Year Ended	
	April 29, 2016	April 24, 2015
Balance at beginning of period	$ 86	$ 110
Expense accrued during the period	35	35
Warranty costs incurred	(51)	(59)
Balance at end of period	$ 70	$ 86

	April 29, 2016	April 24, 2015
Accrued expenses	$ 48	$ 58
Other long-term liabilities	22	28
Total warranty liabilities	$ 70	$ 86

Warranty expense accrued during the period includes amounts accrued for systems at the time of shipment, adjustments for changes in estimated costs for warranties on systems shipped in the period and changes in estimated costs for warranties on systems shipped in prior periods.

Deferred revenue and financed unearned services revenue (in millions):

	April 29, 2016	April 24, 2015
Deferred product revenue	$ 68	$ 17
Deferred services revenue	3,100	3,075
Financed unearned services revenue	217	105
Total	$ 3,385	$ 3,197
Reported as:		
Short-term	$ 1,794	$ 1,724
Long-term	1,591	1,473
Total	$ 3,385	$ 3,197

Deferred product revenue represents unrecognized revenue related to undelivered product commitments and other product deliveries that have not met all revenue recognition criteria. Deferred services revenue represents customer payments made in advance for services, which include software and hardware maintenance contracts and other services. Financed unearned services revenue

represents undelivered services for which cash has been received under certain third-party financing arrangements. See Note 18 for additional information related to these arrangements.

8. Other income (expense), net

Other income (expense), net consists of the following (in millions):

	Year Ended		
	April 29, 2016	April 24, 2015	April 25, 2014
Interest income	$ 46	$ 37	$ 35
Interest expense	(49)	(42)	(36)
Other income, net	—	2	8
Total other income (expense), net	$ (3)	$ (3)	$ 7

9. Financial Instruments and Fair Value Measurements

The accounting guidance for fair value measurements provides a framework for measuring fair value on either a recurring or nonrecurring basis, whereby the inputs used in valuation techniques are assigned a hierarchical level. The following are the three levels of inputs to measure fair value:

Level 1: Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: Inputs that reflect quoted prices for identical assets or liabilities in less active markets; quoted prices for similar assets or liabilities in active markets; benchmark yields, reported trades, broker/dealer quotes, inputs other than quoted prices that are observable for the assets or liabilities; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Unobservable inputs that reflect our own assumptions incorporated in valuation techniques used to measure fair value. These assumptions are required to be consistent with market participant assumptions that are reasonably available.

We consider an active market to be one in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis, and consider an inactive market to be one in which there are infrequent or few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers. Where appropriate, our own or the counterparty's non-performance risk is considered in measuring the fair values of liabilities and assets, respectively.

Investments

The following is a summary of our investments (in millions):

	April 29, 2016				April 24, 2015			
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Corporate bonds	$ 1,370	$ 5	$ (1)	$ 1,374	$ 2,249	$ 9	$ —	$ 2,258
U.S. Treasury and government debt securities	878	2	—	880	1,056	2	—	1,058
Foreign government debt securities	35	—	—	35	38	—	—	38
Commercial paper	202	—	—	202	20	—	—	20
Certificates of deposit	98	—	—	98	286	—	—	286
Mutual funds	30	—	—	30	32	—	—	32
Total debt and equity securities	$ 2,613	$ 7	$ (1)	$ 2,619	$ 3,681	$ 11	$ —	$ 3,692

As of April 29, 2016 and April 24, 2015, gross unrealized losses related to individual securities were not significant.

The following table presents the contractual maturities of our debt investments as of April 29, 2016 (in millions):

	Amortized Cost	Fair Value
Due in one year or less	$ 901	$ 902
Due after one year through five years	1,682	1,687
	$ 2,583	$ 2,589

Actual maturities may differ from the contractual maturities because borrowers may have the right to call or prepay certain obligations.

Fair Value of Financial Instruments

The following table summarizes our financial assets and liabilities measured at fair value on a recurring basis (in millions):

	April 29, 2016		
		Fair Value Measurements at Reporting Date Using	
	Total	Level 1	Level 2
Cash	$ 2,714	$ 2,714	$ —
Corporate bonds	1,374	—	1,374
U.S. Treasury and government debt securities	880	276	604
Foreign government debt securities	35	—	35
Commercial paper	202	—	202
Certificates of deposit	98	—	98
Total cash, cash equivalents and short-term investments	$ 5,303	$ 2,990	$ 2,313
Other items:			
Mutual funds (1)	$ 5	$ 5	$ —
Mutual funds (2)	$ 25	$ 25	$ —
Foreign currency exchange contracts assets (1)	$ 3	$ —	$ 3
Foreign currency exchange contracts liabilities (3)	$ (8)	$ —	$ (8)

	April 24, 2015		
		Fair Value Measurements at Reporting Date Using	
	Total	Level 1	Level 2
Cash	$ 1,666	$ 1,666	$ —
Corporate bonds	2,258	—	2,258
U.S. Treasury and government debt securities	1,058	145	913
Foreign government debt securities	38	—	38
Commercial paper	20	—	20
Certificates of deposit	286	—	286
Total cash, cash equivalents and short-term investments	$ 5,326	$ 1,811	$ 3,515
Other items:			
Mutual funds (1)	$ 3	$ 3	$ —
Mutual funds (2)	$ 29	$ 29	$ —
Foreign currency exchange contracts assets (1)	$ 3	$ —	$ 3

(1) Reported as other current assets in the consolidated balance sheets
(2) Reported as other non-current assets in the consolidated balance sheets
(3) Reported as accrued expenses in the consolidated balance sheets

Our Level 2 debt instruments are held by a custodian who prices some of the investments using standard inputs in various asset price models or obtains investment prices from third-party pricing providers that incorporate standard inputs in various asset price models. These pricing providers utilize the most recent observable market information in pricing these securities or, if specific prices are not available for these securities, use other observable inputs like market transactions involving identical or comparable securities. We review Level 2 inputs and fair value for reasonableness and the values may be further validated by comparison to multiple independent pricing sources. In addition, we review third-party pricing provider models, key inputs and assumptions and understand the pricing processes at our third-party providers in determining the overall reasonableness of the fair value of our Level 2 debt instruments. As of April 29, 2016 and April 24, 2015, we have not made any adjustments to the prices obtained from our third-party pricing providers.

Fair Value of Long-Term Debt

As of April 29, 2016 and April 24, 2015, the fair value of our long-term debt was approximately $1,519 million and $1,524 million, respectively. The fair value of our long-term debt was based on observable market prices in a less active market. All of our debt obligations are categorized as Level 2 instruments.

10. Financing Arrangements

Long-Term Debt

The following table summarizes information relating to our long-term debt (in millions, except interest rates):

	April 29, 2016		April 24, 2015	
	Amount	Effective Interest Rate	Amount	Effective Interest Rate
2.00% Senior Notes Due 2017	$ 750	2.25%	$ 750	2.25%
3.375% Senior Notes Due 2021	500	3.54%	500	3.54%
3.25% Senior Notes Due 2022	250	3.43%	250	3.43%
Total principal amount	1,500		1,500	
Less:				
Unamortized discount	(4)		(5)	
Unamortized issuance costs	(6)		(8)	
Total long-term debt	$ 1,490		$ 1,487	

Senior Notes

In June 2014, we issued $500 million aggregate par value of 3.375% Senior Notes due June 15, 2021, and received proceeds of approximately $495 million, net of discount and issuance costs. Our 2.00% Senior Notes and 3.25% Senior Notes, with a par value of $750 million and $250 million, respectively, were issued in December 2012. We collectively refer to such long-term debt as our Senior Notes. Interest on our Senior Notes is paid semi-annually on June 15 and December 15. Our Senior Notes, which are unsecured, unsubordinated obligations, rank equally in right of payment with any future senior unsecured indebtedness.

We may redeem the Senior Notes in whole or in part, at any time at our option at specified redemption prices. In addition, upon the occurrence of certain change of control triggering events, we may be required to repurchase the Senior Notes under specified terms. The Senior Notes also include covenants that limit our ability to incur debt secured by liens on assets or on shares of stock or indebtedness of our subsidiaries; to engage in certain sale and lease-back transactions; and to consolidate, merge or sell all or substantially all of our assets. As of April 29, 2016, we were in compliance with all covenants associated with the Senior Notes.

As of April 29, 2016, our aggregate future principal debt maturities are as follows (in millions):

Fiscal Year	Amount
2018	$ 750
Thereafter	750
Total	$ 1,500

1.75% Convertible Senior Notes due 2013 settled in June 2013

On June 10, 2008, we issued $1,265 million aggregate principal amount of 1.75% Convertible Senior Notes (the Convertible Notes) that matured in June 2013. Upon maturity, the Convertible Notes were converted into shares of common stock at a conversion rate of 31.40 shares of common stock per $1,000 principal amount of the Convertible Notes (which represented the effective

conversion price of $31.85 per share). Upon conversion in June 2013, the holders received cash for the principal amount of the Convertible Notes and an aggregate of 5 million shares of common stock for the $179 million excess of the conversion value over the principal amount.

We separately accounted for the liability and equity components of the Convertible Notes. The initial debt component of the Convertible Notes was valued at $1,017 million based on the contractual cash flows discounted at an appropriate comparable market non-convertible debt borrowing rate at the date of issuance of 6.31%, with the equity component representing the residual amount of the proceeds of $248 million which was recorded as a debt discount. Issuance costs were allocated pro-rata based on the relative initial carrying amounts of the debt and equity components. As a result, $5 million of the issuance costs was allocated to the equity component of the Convertible Notes, and $21 million of the issuance costs remained classified as other non-current assets. The debt discount and the issuance costs allocated to the debt component were amortized as additional interest expense over the term of the Convertible Notes using the effective interest method.

The interest expense recognized on the Convertible Notes consisted of the following (in millions):

	Year Ended April 25, 2014
Contractual coupon interest expense	$ 2
Amortization of debt discount	7
Amortization of debt issuance costs	1
Total interest expense related to Convertible Notes	$ 10

Concurrent with the issuance of the Convertible Notes, we entered into arrangements to buy up to approximately 32 million shares of our common stock, at a price of $31.85 per share. During fiscal 2014, concurrent with the repayment and conversion of the Convertible Notes, we exercised the Convertible Note hedges which were net settled for an aggregate of 4 million shares from the counterparties. We also entered into separate transactions in which we sold warrants to acquire 40 million shares of our common stock at an exercise price of $41.28 per share. During fiscal 2014, 32 million warrants were exercised at a weighted-average price of $43.09 and were net settled with 1 million shares of our common stock, equal to the difference between the market price on the date of exercise and the exercise price of the warrants on their respective exercise dates, and the remaining warrants expired unexercised.

Credit Facility

In December 2012, as amended in February 2016, we entered into a credit agreement with a syndicated group of lenders that is scheduled to expire on December 21, 2017 and provides for an unsecured $300 million revolving credit facility that is comprised of revolving loans, Eurocurrency loans and/or swingline loans. The credit facility includes a $100 million foreign currency sub-facility, a $50 million letter of credit sub-facility and a $10 million swingline sub-facility available on same-day notice. Available borrowings under the credit facility are reduced by the amount of any outstanding borrowings on the sub-facilities. We may also, subject to certain requirements, request an increase in the facility up to an additional $50 million and request two additional one-year extensions, subject to certain conditions. The proceeds from the facility may be used by us for general corporate purposes.

Borrowings under the facility, except for swingline loans, accrue interest in arrears at an alternate base rate as defined in the credit agreement or, at our option, an adjusted London Interbank Offered Rate (LIBOR) plus in each case, a spread (based on our public debt ratings and the type of loan) ranging from 0.2% to 1.2%. Swingline borrowings accrue interest at an alternate base rate. In addition, we are required to pay fees to maintain the credit facility, whether or not we have outstanding borrowings. The facility contains financial covenants requiring us to maintain a maximum leverage ratio of not more than 3.0:1.0 and a minimum interest coverage ratio of not less than 3.5:1.0. The facility contains customary affirmative and negative covenants, including covenants that limit our ability to incur debt secured by liens on assets or indebtedness of our subsidiaries and to consolidate, merge or sell all or substantially all of our assets. As of April 29, 2016, no borrowings were outstanding under the facility and we were in compliance with all covenants associated with the facility.

Short-Term Loan

In connection with the SolidFire acquisition, we entered into a short-term loan of $870 million that matures on November 2, 2016, of which we repaid $20 million in fiscal 2016. We may repay the loan before its maturity without penalty; however, we may not reborrow any borrowings that were repaid under the term loan agreement. As specified in the term loan agreement, interest on the outstanding borrowings accrues at an adjusted LIBOR plus a spread (based on our public debt ratings) or, at our option, a base rate. The interest rate on the loan as of April 29, 2016 was 1.57%. We may, from time to time, elect to convert the outstanding loan from one rate to another. We expect to repay the loan in full on or before the maturity date using funds generated from our global operations. The loan is subject to the same covenants as our credit facility.

Sale-leaseback Transactions

As discussed in Note 7 – Balance Sheet Details, in fiscal 2016 we entered into a sale-leaseback arrangement of certain of our land and buildings, under which we leased back certain of our properties rent free over lease terms ending at various dates ranging from March 31, 2017 to December 31, 2017, unless terminated early by us. Due to the existence of a prohibited form of continuing involvement, these properties did not qualify for sale-leaseback accounting and as a result they have been accounted for as financing transactions under lease accounting standards. Under the financing method, the assets, which had a net book value of $67 million at the date of the transactions, will remain on our consolidated balance sheets and proceeds received by us from these transactions of $148 million are reported as financing obligations. At the end of each respective leaseback period, or when our continuing involvement under the leaseback agreements ends, each transaction will be reported as a non-cash sale of land and buildings and extinguishment of financing obligations, and the difference between the then net book value of the properties and the unamortized balance of the financing obligations will be recognized as a gain on sale of properties.

11. Stockholders' Equity

Equity Incentive Programs

The 1999 Plan — As most recently amended on September 11, 2015, the 1999 Stock Option Plan (the Plan) comprises five separate equity incentive programs: (i) the Discretionary Option Grant Program under which options may be granted to eligible individuals at a fixed price per share; (ii) the Stock Appreciation Rights Program under which eligible persons may be granted stock appreciation rights that allow individuals to receive the appreciation in fair market value of the shares; (iii) the Stock Issuance Program under which eligible individuals may be issued shares of common stock directly; (iv) the Performance Share and Performance Unit Program under which eligible persons may be granted performance shares or performance units which result in payment to the participant only if performance goals or other vesting criteria are achieved and (v) the Automatic Award Program under which nonemployee board members automatically receive equity grants at designated intervals over their period of board service. The Plan expires in August 2019.

Under the Plan, the Board of Directors may grant to employees, nonemployee directors, consultants and independent advisors options to purchase shares of our common stock during their period of service. The exercise price for an incentive stock option and a nonstatutory option cannot be less than 100% of the fair market value of the common stock on the grant date. Options granted under the Plan generally vest over a four-year period. Options granted generally have a term of seven years after the grant date, subject to earlier termination upon the occurrence of certain events. The Plan prohibits the repricing of any outstanding stock option or stock appreciation right after it has been granted or to cancel any outstanding stock option or stock appreciation right and immediately replace it with a new stock option or stock appreciation right with a lower exercise price unless approved by stockholders. RSUs granted under the Plan include time-based RSUs that generally vest over a four-year period with 25% vesting on each anniversary of the grant date. The Compensation Committee of the Board of Directors (the Compensation Committee) has the discretion to use different vesting schedules. In addition, performance-based RSUs may be granted under the Plan and are subject to performance criteria and vesting terms specified by the Compensation Committee.

Under the Plan, the number of shares reserved for issuance is reduced by two shares for every share subject to a full value award, which are specified to be grants that are in the form of performance shares and/or performance unit awards, stock, restricted stock or restricted stock units. The Plan (i) limits the number of shares that may be granted pursuant to awards under the Stock Issuance Program to a participant in any calendar year to 1 million, (ii) limits the initial value of performance units a participant may receive to not more than $5 million and (iii) limits the number of performance shares a participant may receive in a calendar year to 1 million.

During fiscal 2016, the shares reserved for issuance under the Plan were increased by approximately 16 million shares. As of April 29, 2016, 23 million shares were available for grant under the Plan.

Stock Options

The following table summarizes activity related to our stock options (in millions, except for exercise price and contractual term):

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at April 26, 2013	19	$ 31.27		
Granted	3	$ 38.26		
Exercised	(6)	$ 25.83		
Forfeited and expired	(1)	$ 42.47		
Outstanding as of April 25, 2014	15	$ 34.10		
Granted	2	$ 36.64		
Exercised	(5)	$ 25.25		
Forfeited and expired	—	$ 42.42		
Outstanding as of April 24, 2015	12	$ 37.74		
Assumed in acquisition	2	$ 5.20		
Exercised	(2)	$ 19.64		
Forfeited and expired	(3)	$ 38.27		
Outstanding as of April 29, 2016	9	$ 34.01	3.52	$ 29
Vested and expected to vest as of April 29, 2016	9	$ 34.52	3.40	$ 26
Exercisable as of April 29, 2016	6	$ 39.98	2.22	$ 3

The aggregate intrinsic value represents the pre-tax difference between the exercise price of stock options and the quoted market price of our stock on that day for all in-the-money options.

Additional information related to our stock options is summarized below (in millions):

	Year Ended		
	April 29, 2016	April 24, 2015	April 25, 2014
Intrinsic value of exercises	$ 16	$ 70	$ 91
Proceeds received from exercises	$ 27	$ 117	$ 164
Fair value of options vested	$ 15	$ 33	$ 45

Restricted Stock Units

In fiscal 2016, we granted PBRSUs to certain of our executives. Each PBRSU has performance-based vesting criteria (in addition to the service based vesting criteria) such that the PBRSU cliff-vests at the end of either an approximate two year or three year performance period, which began on the date specified in the grant agreement and ends the last day of fiscal 2017 or 2018, respectively. The number of shares of common stock that will be issued to settle the PBRSUs at the end of the applicable performance and service period will range from 0% to 200% of a target number of shares originally granted, and will depend upon our Total Stockholder Return (TSR) as compared to an index TSR (each expressed as a growth rate percentage) calculated as of the applicable period end date. The fair values of the PBRSUs were fixed at grant date and the related aggregate compensation cost of $20 million is being recognized, adjusted for forfeitures, over the shorter of the remaining applicable performance or service periods. As of April 29, 2016, there were approximately 500 thousand PBRSUs outstanding.

In fiscal 2016, 5 million time-based RSUs granted will vest at 50% annually over two years. All other time-based RSUs will vest over four years.

The following table summarizes activity related to RSUs, including PBRSUs, (in millions, except for fair value):

	Number of Shares		Weighted-Average Grant Date Fair Value
Outstanding at April 26, 2013	13	$	38.36
Granted	6	$	38.61
Vested	(4)	$	38.48
Forfeited	(2)	$	39.08
Outstanding as of April 25, 2014	13	$	38.35
Granted	7	$	35.80
Vested	(5)	$	40.14
Forfeited	(2)	$	37.48
Outstanding as of April 24, 2015	13	$	36.58
Granted	7	$	29.26
Vested	(5)	$	37.72
Forfeited	(2)	$	34.85
Outstanding as of April 29, 2016	13	$	32.46

We primarily use the net share settlement approach upon vesting, where a portion of the shares are withheld as settlement of statutory employee withholding taxes, which decreases the shares issued to the employee by a corresponding value. The number and value of the shares netted for employee taxes are summarized in the table below (in millions):

	Year Ended		
	April 29, 2016	April 24, 2015	April 25, 2014
Shares withheld for taxes	2	2	1
Fair value of shares withheld	$ 50	$ 57	$ 58

Employee Stock Purchase Plan

Eligible employees are offered shares through a 24-month offering period, which consists of four consecutive 6-month purchase periods. Employees may purchase a limited number of shares of the Company's stock at a discount of up to 15% of the lesser of the market value at the beginning of the offering period or the end of each 6-month purchase period. On September 11, 2015, the ESPP was amended to increase the shares reserved for issuance by 5 million shares of common stock. As of April 29, 2016, 11 million shares were available for issuance. The following table summarizes activity related to the purchase rights issued under the ESPP (in millions):

	Year Ended		
	April 29, 2016	April 24, 2015	April 25, 2014
Shares issued under the ESPP	3	3	4
Proceeds from issuance of shares	$ 93	$ 97	$ 95

Stock-Based Compensation Expense

Stock-based compensation expense is included in the consolidated statements of operations as follows (in millions):

	Year Ended		
	April 29, 2016	April 24, 2015	April 25, 2014
Cost of product revenues	$ 5	$ 6	$ 5
Cost of hardware maintenance and other services revenues	19	16	17
Sales and marketing	110	116	125
Research and development	84	84	88
General and administrative	42	37	38
Total stock-based compensation expense	$ 260	$ 259	$ 273

As of April 29, 2016, total unrecognized compensation expense related to our equity awards was $310 million, which is expected to be recognized on a straight-line basis over a weighted-average remaining service period of 1.8 years.

Total income tax benefit associated with employee stock transactions and recognized in stockholders' equity were as follows (in millions):

	Year Ended		
	April 29, 2016	April 24, 2015	April 25, 2014
Income tax benefit associated with employee stock transactions	$ 59	$ 57	$ 40

Valuation Assumptions

The valuation of stock options, RSUs and ESPP purchase rights and the underlying weighted-average assumptions are summarized as follows:

	Year Ended		
	April 29, 2016	April 24, 2015	April 25, 2014
Stock options:			
Expected term in years	N/A	4.8	4.8
Risk-free interest rate	N/A	1.6%	1.1%
Expected volatility	N/A	29%	34%
Expected dividend yield	N/A	1.8%	1.6%
Weighted-average fair value per share granted	N/A	$ 8.24	$ 9.85
RSUs:			
Risk-free interest rate	0.6%	0.6%	0.5%
Expected dividend yield	2.3%	1.8%	1.6%
Weighted-average fair value per share granted	$ 29.26	$ 35.80	$ 38.61
ESPP:			
Expected term in years	1.2	1.3	1.2
Risk-free interest rate	0.5%	0.2%	0.2%
Expected volatility	27%	27%	31%
Expected dividend yield	2.3%	1.8%	1.6%
Weighted-average fair value per right granted	$ 8.18	$ 9.81	$ 10.83

N/A - Not applicable. No options were granted in fiscal 2016.

In connection with our acquisition of SolidFire, we assumed all of the then outstanding unvested options to purchase SolidFire common stock and converted those into unvested options to purchase 2 million shares of our common stock. The weighted average assumptions used to value these options, as of the acquisition date, were an expected term of 4.3 years, risk-free interest rate of 1.1%, expected volatility of 31% and expected dividend yield of 3.3%. The weighted average fair value per share of these options was $14.32.

Stock Repurchase Program

As of April 29, 2016, our Board of Directors has authorized the repurchase of up to $9.6 billion of our common stock. Under this program, which we may suspend or discontinue at any time, we may purchase shares of our outstanding common stock through open market and privately negotiated transactions at prices deemed appropriate by our management.

The following table summarizes activity related to this program (in millions, except per share amounts):

	Year Ended		
	April 29, 2016	April 24, 2015	April 25, 2014
Number of shares repurchased	33	30	47
Average price per share	$ 28.80	$ 39.30	$ 39.78
Aggregate purchase price	$ 960	$ 1,165	$ 1,881
Remaining authorization at end of period	$ 1,499	$ 2,460	$ 1,125

The aggregate purchase price of our stock repurchases for fiscal 2016 consisted of $960 million of open market purchases, of which, $763 million and $197 million was allocated to additional paid-in capital and retained earnings, respectively.

Since the May 13, 2003 inception of our stock repurchase program through April 29, 2016, we repurchased a total of 247 million shares of our common stock at an average price of $32.85 per share, for an aggregate purchase price of $8.1 billion.

Accelerated Share Repurchase Agreement

In fiscal 2014, we entered into a collared Accelerated Share Repurchase (ASR) with a third party under which we prepaid $750 million to purchase shares of our common stock. The aggregate number of shares ultimately purchased was determined based on the volume weighted-average share price of our common stock over a specified period of time. This contract settled in fiscal 2014, resulting in the repurchase of 19 million shares, at an average price per share of $39.13. The value of the ASR forward contract was determined to be $14 million, which was recorded as additional paid-in capital.

Preferred Stock

Our Board of Directors has the authority to issue up to 5 million shares of preferred stock and to determine the price, rights, preferences, privileges, and restrictions, including voting rights, of those shares without any further vote or action by the stockholders. No shares of preferred stock were issued or outstanding in any period presented.

Dividends

The following is a summary of our fiscal 2016, 2015 and 2014 activities related to dividends on our common stock (in millions, except per share amounts).

	Year Ended		
	April 29, 2016	April 24, 2015	April 25, 2014
Dividends per share declared	$ 0.72	$ 0.66	$ 0.60
Dividend payments allocated to additional paid-in capital	$ 125	$ 52	$ 50
Dividend payments allocated to retained earnings	$ 85	$ 156	$ 152

On May 25, 2016, we declared a cash dividend of $0.19 per share of common stock, payable on July 27, 2016 to holders of record as of the close of business on July 18, 2016. The timing and amount of future dividends will depend on market conditions, corporate business and financial considerations and regulatory requirements. All dividends declared have been determined by the Company to be legally authorized under the laws of the state in which we are incorporated.

Accumulated Other Comprehensive Income (Loss)

Changes in AOCI by component, net of tax, are summarized below (in millions):

	Foreign Currency Translation Adjustments	Defined Benefit Obligation Adjustments	Unrealized Gains (Losses) on Available-for-Sale Securities	Unrealized Gains (Losses) on Derivative Instruments	Total
Balance as of April 25, 2014	$ 5	$ (5)	$ 9	$ —	$ 9
OCI before reclassifications, net of tax	(28)	(8)	2	15	(19)
Amounts reclassified from AOCI, net of tax	—	—	—	(14)	(14)
Total OCI	(28)	(8)	2	1	(33)
Balance as of April 24, 2015	(23)	(13)	11	1	(24)
OCI before reclassifications, net of tax	4	(5)	(4)	(4)	(9)
Amounts reclassified from AOCI, net of tax	—	2	(1)	1	2
Total OCI	4	(3)	(5)	(3)	(7)
Balance as of April 29, 2016	$ (19)	$ (16)	$ 6	$ (2)	$ (31)

The amounts reclassified out of AOCI are as follows (in millions):

	Year Ended			
	April 29, 2016	April 24, 2015	April 25, 2014	
	Amounts Reclassified from AOCI			Statements of Operations Location
Recognized losses on defined benefit obligations	$ 2	$ —	$ —	Operating expenses
Realized gains on available-for-sale securities	(1)	—	(1)	Other income (expense), net
Realized (gains) losses on cash flow hedges	1	(14)	2	Net revenues
Total reclassifications	$ 2	$ (14)	$ 1	

12. Derivatives and Hedging Activities

We use derivative instruments to manage exposures to foreign currency risk. Our primary objective in holding derivatives is to reduce the volatility of earnings and cash flows associated with changes in foreign currency exchange rates. The program is not designated for trading or speculative purposes. Our derivatives expose us to credit risk to the extent that the counterparties may be unable to meet the terms of the agreement. We seek to mitigate such risk by limiting our counterparties to major financial institutions. In addition, the potential risk of loss with any one counterparty resulting from this type of credit risk is monitored on an ongoing basis. We also have in place master netting arrangements to mitigate the credit risk of our counterparties and to potentially reduce our losses due to counterparty nonperformance. We present our derivative instruments as net amounts in our consolidated balance sheets. The gross and net fair value amounts of such instruments were not material as of April 29, 2016 or April 24, 2015. We did not recognize any gains and losses in earnings due to hedge ineffectiveness for any period presented. All contracts have a maturity of less than six months.

Over the next 12 months, we expect an immaterial amount of derivative net gains or losses recorded in AOCI as of April 29, 2016 will be reclassified into net revenues. The maximum length of time over which forecasted foreign currency denominated revenues are hedged is six months.

The notional amount of our outstanding U.S. dollar equivalent foreign currency exchange forward contracts consisted of the following (in millions):

	April 29, 2016	April 24, 2015
Cash Flow Hedges		
Forward contracts purchased	$ 99	$ 94
Balance Sheet Contracts		
Forward contracts sold	$ 160	$ 160
Forward contracts purchased	$ 396	$ 231

The effect of derivative instruments designated as cash flow hedges recognized in net revenues on our consolidated statements of operations is presented in the consolidated statements of comprehensive income (loss) and Note 11 – Stockholders' Equity.

The effect of derivative instruments not designated as hedging instruments recognized in other income (expense), net on our consolidated statements of operations was as follows (in millions):

	Year Ended		
	April 29, 2016	April 24, 2015	April 25, 2014
	Gain (Loss) Recognized into Income		
Foreign currency exchange contracts	$ (4)	$ 14	$ 1

13. Restructuring and Other Charges

Beginning in the first quarter of fiscal 2014, management approved several restructuring actions to streamline our business, eliminate costs and redirect resources to our highest return activities. These actions included the May 2013 Plan, the March 2014 Plan, the May 2015 Plan and the March 2016 Plan, under which we reduced our global workforce by approximately 7%, 4%, 3%, and 11%, respectively. We have completed all of these activities, with the exception of the March 2016 Plan, which we expect to complete by the second quarter of fiscal 2017 with no significant additional charges. Restructuring and other charges related to these plans consisted primarily of employee severance-related costs.

Activities related to these plans are summarized as follows (in millions):

	March 2016 Plan	May 2015 Plan	March 2014 Plan	May 2013 Plan	Total
Balance as of April 26, 2013	$ —	$ —	$ —	$ —	$ —
Net charges	—	—	39	49	88
Cash payments	—	—	(12)	(49)	(61)
Balance as of April 25, 2014	—	—	27	—	27
Net charges	—	—	—	—	—
Cash payments	—	—	(27)	—	(27)
Balance as of April 24, 2015	—	—	—	—	—
Net charges	80	28	—	—	108
Cash payments	(35)	(28)	—	—	(63)
Balance as of April 29, 2016	$ 45	$ —	$ —	$ —	$ 45

Liabilities for our restructuring activities are included in accrued expenses in our consolidated balance sheets.

14. Income Taxes

Income before income taxes is as follows (in millions):

	Year Ended		
	April 29, 2016	April 24, 2015	April 25, 2014
Domestic	$ 88	$ 253	$ 121
Foreign	257	460	620
Total	$ 345	$ 713	$ 741

Domestic income before taxes is lower than foreign income before taxes due to significant domestic expenses related to the amortization of intangibles, stock-based compensation and restructuring expenses.

The provision for income taxes consists of the following (in millions):

	Year Ended		
	April 29, 2016	April 24, 2015	April 25, 2014
Current:			
Federal	$ 180	$ 104	$ 124
State	14	12	14
Foreign	35	40	41
Total current	229	156	179
Deferred:			
Federal	(91)	8	(65)
State	(17)	(3)	(6)
Foreign	(5)	(8)	(5)
Total deferred	(113)	(3)	(76)
Provision for income taxes	$ 116	$ 153	$ 103

The provision for income taxes differs from the amount computed by applying the statutory federal income tax rate as follows (in millions):

	Year Ended		
	April 29, 2016	April 24, 2015	April 25, 2014
Tax computed at federal statutory rate	$ 121	$ 250	$ 259
State income taxes, net of federal benefit	(3)	5	6
Foreign earnings in lower tax jurisdictions	(81)	(141)	(163)
Stock-based compensation	13	6	10
Research and development credits	(14)	(14)	(9)
Resolution of income tax examinations	20	46	—
Domestic production activities deduction	(10)	(5)	(6)
Tax charge from integration of intellectual property from the SolidFire acquisition	64	—	—
Other	6	6	6
Provision for income taxes	$ 116	$ 153	$ 103

We generated foreign earnings in lower tax jurisdictions primarily related to income from our European operations which are headquartered in the Netherlands. During fiscal 2016, we acquired SolidFire and recorded a tax charge of $64 million related to the integration of SolidFire intellectual property into our worldwide operations.

The components of our deferred tax assets and liabilities are as follows (in millions):

	April 29, 2016	April 24, 2015
Deferred tax assets:		
Reserves and accruals	$ 214	$ 94
Acquired intangibles	—	44
Net operating loss and credit carryforwards	72	80
Stock-based compensation	66	70
Deferred revenue	336	298
Other	39	27
Gross deferred tax assets	727	613
Valuation allowance	(59)	(58)
Deferred tax assets, net of valuation allowance	668	555
Deferred tax liabilities:		
Prepaids and accruals	3	4
Acquired intangibles	27	14
Property and equipment	14	26
Other	3	3
Total deferred tax liabilities	47	47
Deferred tax assets, net of valuation allowance and deferred tax liabilities	$ 621	$ 508

Net deferred tax assets consist of the following (in millions):

	April 29, 2016	April 24, 2015
Current deferred tax assets, net	$ —	$ 252
Non-current deferred tax assets, net	$ 621	$ 256

In the third quarter of fiscal 2016, we adopted new accounting guidance on the balance sheet classification of deferred taxes that requires that all deferred taxes be presented as non-current. We applied this guidance prospectively and, accordingly, we did not reclassify amounts reported as of April 24, 2015.

The valuation allowance increased by $1 million and $8 million in fiscal 2016 and 2015, respectively. The increases are mainly attributable to corresponding changes in deferred tax assets, primarily foreign tax credit carryforwards in a foreign jurisdiction and state tax credit carryforwards in certain states.

As of April 29, 2016, the federal and state net operating loss carryforwards were approximately $15 million and $31 million, respectively, before applying tax rates for the respective jurisdictions. The federal, state and foreign tax credit carryforwards were approximately $40 million, $131 million and $22 million, respectively. Certain acquired net operating loss and credit carryforwards are subject to an annual limitation under Internal Revenue Code Section 382, but are expected to be realized with the exception of those which have a valuation allowance. The federal and state net operating loss carryforwards and credits will expire in various years from fiscal 2018 through 2036. If realized, $41 million, tax effected, of net operating loss and tax credit carryovers will be recognized as additional paid-in capital. The foreign tax credit carryforward does not expire.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in millions):

	Year Ended		
	April 29, 2016	April 24, 2015	April 25, 2014
Balance at beginning of period	$ 272	$ 236	$ 190
Additions based on tax positions related to the current year	14	22	27
Additions for tax positions of prior years	21	101	24
Decreases for tax positions of prior years	(39)	(29)	(5)
Settlements	(52)	(58)	—
Balance at end of period	$ 216	$ 272	$ 236

As of April 29, 2016, we had $216 million of gross unrecognized tax benefits, of which $164 million has been recorded in other long-term liabilities. Unrecognized tax benefits of $147 million, including penalties, interest and indirect benefits, would affect our provision for income taxes if recognized.

We recognize accrued interest and penalties related to unrecognized tax benefits in the income tax provision. During fiscal 2016, 2015 and 2014, we recognized accrued interest and penalties of approximately $2 million, $4 million and $2 million, respectively in the consolidated statements of operations and $11 million and $9 million, respectively, were recorded in the consolidated balance sheets as of April 29, 2016 and April 24, 2015.

The tax years that remain subject to examination for our major tax jurisdictions are shown below:

Fiscal Years Subject to Examination for Major Tax Jurisdictions at April 29, 2016

2012 — 2016	United States — federal income tax
2008 — 2016	United States — state and local income tax
2012 — 2016	Australia
2013 — 2016	Germany
2007 — 2016	India
2010 — 2016	Japan
2012 — 2016	The Netherlands
2013 — 2016	United Kingdom
2008 — 2016	Canada

In addition, we are effectively subject to federal tax examination adjustments for tax years ended on or after fiscal 2001, in that we have carryforward attributes from these years that could be subject to adjustment in the tax years of utilization.

In June 2015, the Internal Revenue Service (IRS) signed a closing agreement with respect to transfer pricing arrangements and, in October 2015, completed the examination of our fiscal 2008 to 2010 income tax returns. During fiscal 2016, we recorded a tax charge of $23 million attributable to transfer pricing and other audit settlements and the related re-measurement of uncertain tax positions for tax years subject to future audits. During fiscal 2016, the German tax authority concluded the examination of our fiscal 2009 to 2012 returns. We recorded a $2 million tax benefit for the net impact of the audit adjustments and related release of unrecognized tax benefits.

In July 2014, the IRS completed the examination of our fiscal 2005 to 2007 income tax returns upon approval by the Joint Committee of Taxation. During fiscal 2015, we recorded a tax charge of $47 million attributable to the audit settlement and related re-measurements of uncertain tax positions for tax years subject to future audits.

We are currently undergoing federal income tax audits in the United States (U.S.) and several foreign tax jurisdictions. Transfer pricing calculations are key issues under audits in various jurisdictions, and are often subject to dispute and appeals. The IRS has concluded the examination of our tax returns for our fiscal years through 2010. The IRS plans to commence the audit of our fiscal 2012 and 2013 returns in fiscal 2017.

On September 17, 2010, the Danish Tax Authorities issued a decision concluding that distributions declared in 2005 and 2006 from our Danish subsidiary were subject to Danish at-source dividend withholding tax. We do not believe that our Danish subsidiary is liable for withholding tax and filed an appeal with the Danish Tax Tribunal to that effect. On December 19, 2011, the Danish Tax Tribunal issued a ruling that our Danish subsidiary was not liable for Danish withholding tax. The Danish tax examination agency appealed to the Danish High Court in March 2012. In February 2016, the Danish High Court referred the case to the European Court of Justice.

We continue to monitor the progress of ongoing discussions with tax authorities and the impact, if any, of the expected expiration of the statute of limitations in various taxing jurisdictions. We engage in continuous discussion and negotiation with taxing authorities regarding tax matters in multiple jurisdictions. We believe that within the next 12 months, it is reasonably possible that either certain audits will conclude, certain statutes of limitations will lapse, or both. Based on current information, we do not expect significant changes to our existing unrecognized tax benefits as of April 29, 2016.

As of April 29, 2016, the amount of accumulated unremitted earnings from our foreign subsidiaries is approximately $4 billion. We have not provided U.S. income taxes and foreign withholding taxes on the undistributed earnings of foreign subsidiaries because we intend to permanently reinvest such earnings outside the U.S. If these foreign earnings were to be repatriated in the future, the related U.S. tax liability may be reduced by any foreign income taxes previously paid on these earnings as well as tax attribute carryforwards. We estimate the unrecognized deferred tax liability related to these earnings to be approximately $1 billion as of April 29, 2016.

On July 27, 2015, in *Altera Corp. v. Commissioner*, the U.S. Tax Court issued an opinion related to the treatment of stock-based compensation expense in an intercompany cost-sharing arrangement. A final decision was issued by the Tax Court in December 2015. In February 2016, the Commissioner appealed the Tax Court decision. At this time, the U.S. Department of the Treasury has not withdrawn the requirement to include stock-based compensation from its regulations. Due to the uncertainty surrounding the status of the current regulations, questions related to the scope of potential benefits, and the risk of the Tax Court's decision being overturned

upon appeal, we have not recorded any benefit as of April 29, 2016. We will continue to monitor ongoing developments and potential impacts to our financial statements.

15. Net Income per Share

The following is a calculation of basic and diluted net income per share (in millions, except per share amounts):

	Year Ended		
	April 29, 2016	April 24, 2015	April 25, 2014
Numerator:			
Net income	$ 229	$ 560	$ 638
Denominator:			
Shares used in basic computation	294	316	340
Dilutive impact of employee equity award plans	3	5	7
Dilutive impact of assumed conversion of convertible notes	—	—	1
Shares used in diluted computation	297	321	348
Net Income per Share:			
Basic	$ 0.78	$ 1.77	$ 1.87
Diluted	$ 0.77	$ 1.75	$ 1.83

We have excluded 12 million, 8 million and 6 million weighted-average shares of common stock potentially issuable under employee equity award plans in fiscal 2016, 2015 and 2014, respectively, from the diluted net income per share calculations as their effect would have been anti-dilutive.

16. Segment, Geographic, and Significant Customer Information

We operate in one industry segment: the design, manufacturing, marketing, and technical support of high-performance storage and data management solutions. We conduct business globally, and our sales and support activities are managed on a geographic basis. Our management reviews financial information presented on a consolidated basis, accompanied by disaggregated information it receives from our internal management system about revenues by geographic region, based on the location from which the customer relationship is managed, for purposes of allocating resources and evaluating financial performance. We do not allocate costs of revenues, research and development, sales and marketing, or general and administrative expenses to our geographic regions in this internal management reporting because management does not review operations or operating results, or make planning decisions, below the consolidated entity level.

Summarized revenues by geographic region based on information from our internal management system and utilized by our Chief Executive Officer, who is considered our Chief Operating Decision Maker, is as follows (in millions):

	Year Ended		
	April 29, 2016	April 24, 2015	April 25, 2014
United States, Canada and Latin America (Americas)	$ 3,067	$ 3,447	$ 3,513
Europe, Middle East and Africa (EMEA)	1,757	1,857	1,955
Asia Pacific (APAC)	722	819	857
Net revenues	$ 5,546	$ 6,123	$ 6,325

Americas revenues consist of sales to Americas commercial and U.S. public sector markets. Sales to customers inside the U.S. were $2,753 million, $3,096 million and $3,131 million during fiscal 2016, 2015 and 2014, respectively.

The majority of our assets, excluding cash, cash equivalents, short-term investments and accounts receivable, were attributable to our domestic operations. The following table presents cash, cash equivalents and short-term investments held in the U.S. and internationally in various foreign subsidiaries (in millions):

	April 29, 2016	April 24, 2015
U.S.	$ 513	$ 596
International	4,790	4,730
Total	$ 5,303	$ 5,326

With the exception of property and equipment, we do not identify or allocate our long-lived assets by geographic area. The following table presents property and equipment information for geographic areas based on the physical location of the assets (in millions):

	April 29, 2016	April 24, 2015
U.S.	$ 797	$ 927
International	140	103
Total	$ 937	$ 1,030

The following customers, each of which is a distributor, accounted for 10% or more of our net revenues:

	Year Ended		
	April 29, 2016	April 24, 2015	April 25, 2014
Arrow Electronics, Inc.	22%	23%	22%
Avnet, Inc.	19%	16%	16%

The following customers accounted for 10% or more of accounts receivable:

	April 29, 2016	April 24, 2015
Arrow Electronics, Inc.	12%	14%
Avnet, Inc.	15%	16%

17. Employee Benefits and Deferred Compensation

Employee 401(k) Plan

Our 401(k) Plan is a deferred salary arrangement under Section 401(k) of the Internal Revenue Code. Under the 401(k) Plan, participating U.S. employees may defer a portion of their pre-tax earnings, up to the IRS annual contribution limit. We match 100% of the first 2% of eligible earnings an employee contributes to the 401(k) Plan, and then match 50% of the next 4% of eligible earnings an employee contributes. An employee receives the full 4% match when he/she contributes at least 6% of his/her eligible earnings, up to a maximum calendar year matching contribution of $6,000. Our employer matching contributions to the 401(k) Plan were as follows (in millions):

	Year Ended		
	April 29, 2016	April 24, 2015	April 25, 2014
401(k) matching contributions	$ 35	$ 16	$ 20

Deferred Compensation Plan

We have a non-qualified deferred compensation plan that allows a group of employees within the U.S. to contribute base salary and commissions or incentive compensation on a tax deferred basis in excess of the IRS limits imposed on 401(k) plans. The marketable securities related to these investments are held in a Rabbi Trust. The related deferred compensation plan assets and liabilities under the non-qualified deferred compensation plan were as follows (in millions):

	April 29, 2016	April 24, 2015
Deferred compensation plan assets	$ 30	$ 32
Deferred compensation liabilities reported as:		
Accrued expenses	$ 5	$ 3
Other long-term liabilities	$ 25	$ 29

Postretirement Health Care Plan

Certain of our executive officers are eligible to participate in our Executive Retirement Medical Plan, which upon retirement provides medical coverage beyond the COBRA maximum benefit period to a defined group of senior executives based on minimum age, service and level of responsibility (that is, Executive Vice President or above) as a fully-insured plan. Coverage continues through the duration of the lifetime of the retiree or the retiree's spouse, whichever is longer. In fiscal 2016, the Compensation Committee closed this plan to the executives eligible for participation as of November 12, 2015. Participation in the plan will not be offered to executives who were not eligible for the plan on that date. There is no funding requirement associated with the plan and none of the benefit obligation was funded as of April 29, 2016. Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plan.

International Defined Benefit Plans

We maintain various defined benefit plans to provide termination and postretirement benefits to certain eligible employees outside of the U.S. We also provide disability benefits to certain eligible employees in the U.S. Eligibility is determined based on the terms of our plans and local statutory requirements. Assumed discount rates and expected long-term returns on plan assets have significant effects on the amounts reported for the defined benefit plans.

Funded Status

The funded status of our postretirement health care and international termination and postretirement benefits was as follows (in millions):

	April 29, 2016	April 24, 2015
Fair value of plan assets	$ 24	$ 20
Benefit obligations	(76)	(60)
Unfunded obligations	$ (52)	$ (40)

Amounts recognized in the consolidated balance sheets were as follows (in millions):

	April 29, 2016	April 24, 2015
Other long-term liabilities	$ 52	$ 40
AOCI	$ (16)	$ (13)

18. Commitments and Contingencies

Operating Leases

We lease various equipment, vehicles and office space in the U.S. and internationally.

Future annual minimum lease payments under all non-cancelable operating leases with an initial term in excess of one year as of April 29, 2016 are as follows (in millions):

	2017	2018	2019	2020	2021	Thereafter	Total
Operating lease commitments	$ 60	$ 50	$ 39	$ 31	$ 23	$ 50	$ 253

Rent expense under all cancellable and non-cancelable operating leases was $69 million, $67 million and $66 million in fiscal 2016, 2015 and 2014, respectively.

Purchase Orders and Other Commitments

In the ordinary course of business, we make commitments to third-party contract manufacturers, to manage manufacturer lead times and meet product forecasts, and to other parties, to purchase various key components used in the manufacture of our products. A significant portion of our reported purchase commitments arising from these agreements consist of firm, non-cancelable, and unconditional commitments. As of April 29, 2016, we had $211 million in non-cancelable purchase commitments for inventory. We record a liability for firm, non-cancelable and unconditional purchase commitments with contract manufacturers for quantities in excess of our future demand forecasts. As of April 29, 2016 and April 24, 2015, such liability amounted to $7 million and $17 million, respectively, and is included in accrued expenses in our consolidated balance sheets. To the extent that such forecasts are not achieved, our commitments and associated accruals may change.

In addition to inventory commitments with contract manufacturers and component suppliers, we have open purchase orders and contractual obligations associated with our ordinary course of business for which we have not yet received goods or services. As of April 29, 2016, we had $37 million in construction related obligations and $152 million in other purchase obligations.

During the ordinary course of business, we provide standby letters of credit or other guarantee instruments to third parties as required for certain transactions initiated either by us or our subsidiaries. As of April 29, 2016, our financial guarantees of $14 million that were not recorded on our consolidated balance sheets consisted primarily of standby letters of credit and surety bonds.

Financing Guarantees

While most of our arrangements for sales include short-term payment terms, from time to time we provide long-term financing to creditworthy customers. We have generally sold receivables financed through these arrangements on a non-recourse basis to third party financing institutions within 10 days of the contracts' dates of execution, and we classify the proceeds from these sales as cash flows from operating activities in our consolidated statements of cash flows. We account for the sales of these receivables as "true sales" as defined in the accounting standards on transfers of financial assets, as we are considered to have surrendered control of these financing receivables. Provided all other revenue recognition criteria have been met, we recognize product revenues for these arrangements, net of any payment discounts from financing transactions, upon product acceptance. We sold $243 million, $197 million and $296 million of receivables during fiscal 2016, 2015 and 2014, respectively.

In addition, we enter into arrangements with leasing companies for the sale of our hardware systems products. These leasing companies, in turn, lease our products to end-users. The leasing companies generally have no recourse to us in the event of default by the end-user and we recognize revenue upon delivery to the end-user customer, if all other revenue recognition criteria have been met.

Some of the leasing arrangements described above have been financed on a recourse basis through third-party financing institutions. Under the terms of recourse leases, which are generally three years or less, we remain liable for the aggregate unpaid remaining lease payments to the third-party leasing companies in the event of end-user customer default. These arrangements are generally collateralized by a security interest in the underlying assets. Where we provide a guarantee for recourse leases, we defer revenues subject to the industry-specific software revenue recognition guidance, and recognize revenues for non-software deliverables in accordance with our multiple deliverable revenue arrangement policy. In connection with certain recourse financing arrangements, we receive advance payments associated with undelivered elements that are subject to customer refund rights. We defer revenue associated with these advance payments until the related refund rights expire and we perform the services. As of April 29, 2016 and April 24, 2015, the aggregate amount by which such contingencies exceeded the associated liabilities was not significant. To date, we have not experienced material losses under our lease financing programs or other financing arrangements.

We have entered into service contracts with certain of our end-user customers that are supported by third-party financing arrangements. If a service contract is terminated as a result of our non-performance under the contract or our failure to comply with the terms of the financing arrangement, we could, under certain circumstances, be required to acquire certain assets related to the service contract or to pay the aggregate unpaid financing payments under such arrangements. As of April 29, 2016, we have not been required to make any payments under these arrangements, and we believe the likelihood of having to acquire a material amount of

assets or make payments under these arrangements is remote. The portion of the financial arrangement that represents unearned services revenue is included in deferred revenue and financed unearned services revenue in our consolidated balance sheets.

Indemnification Agreements

We enter into standard indemnification agreements in the ordinary course of business. Pursuant to these agreements, we agree to defend and indemnify other parties, primarily our customers or business partners or subcontractors, for damages and reasonable costs incurred in any suit or claim brought against them alleging that our products sold to them infringe any U.S. patent, copyright, trade secret, or similar right. If a product becomes the subject of an infringement claim, we may, at our option: (i) replace the product with another non-infringing product that provides substantially similar performance; (ii) modify the infringing product so that it no longer infringes but remains functionally equivalent; (iii) obtain the right for the customer to continue using the product at our expense and for the reseller to continue selling the product; (iv) take back the infringing product and refund to the customer the purchase price paid less depreciation amortized on a straight-line basis. We have not been required to make material payments pursuant to these provisions historically. We have not recorded any liability at April 29, 2016 related to these guarantees since the maximum amount of potential future payments under such guarantees, indemnities and warranties is not determinable, other than as described above.

Legal Contingencies

When a loss is considered probable and reasonably estimable, we record a liability in the amount of our best estimate for the ultimate loss. However, the likelihood of a loss with respect to a particular contingency is often difficult to predict and determining a meaningful estimate of the loss or a range of loss may not be practicable based on the information available and the potential effect of future events and decisions by third parties that will determine the ultimate resolution of the contingency.

We are subject to various legal proceedings and claims that arise in the normal course of business. No accrual has been recorded as of April 29, 2016 related to such matters as they are not probable and/or reasonably estimable.

Selected Quarterly Financial Data (Unaudited)

Selected quarterly financial data is as follows (in millions, except per share amounts):

	Quarter Ended			
	July 31, 2015	October 30, 2015	January 29, 2016	April 29, 2016
Net revenues	$ 1,335	$ 1,445	$ 1,386	$ 1,380
Gross profit	$ 816	$ 884	$ 855	$ 818
Net income (loss)	$ (30)	$ 114	$ 153	$ (8)
Net income (loss) per share, basic	$ (0.10)	$ 0.39	$ 0.52	$ (0.03)
Net income (loss) per share, diluted	$ (0.10)	$ 0.39	$ 0.52	$ (0.03)

	Quarter Ended			
	July 25, 2014	October 24, 2014	January 23, 2015	April 24, 2015
Net revenues	$ 1,489	$ 1,543	$ 1,551	$ 1,540
Gross profit	$ 938	$ 983	$ 977	$ 935
Net income	$ 88	$ 160	$ 177	$ 135
Net income per share, basic	$ 0.27	$ 0.50	$ 0.57	$ 0.44
Net income per share, diluted	$ 0.27	$ 0.49	$ 0.56	$ 0.43

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
NetApp, Inc.
Sunnyvale, California

We have audited the accompanying consolidated balance sheets of NetApp, Inc. and subsidiaries (the "Company") as of April 29, 2016 and April 24, 2015, and the related consolidated statements of operations, comprehensive income, cash flows, and stockholders' equity for each of the three years in the period ended April 29, 2016. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of NetApp, Inc. and subsidiaries as of April 29, 2016 and April 24, 2015, and the results of their operations and their cash flows for each of the three years in the period ended April 29, 2016, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of April 29, 2016, based on the criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated June 22, 2016 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

San Jose, California
June 22, 2016

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
NetApp, Inc.
Sunnyvale, California

We have audited the internal control over financial reporting of NetApp, Inc. and subsidiaries (the "Company") as of April 29, 2016, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of April 29, 2016, based on the criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended April 29, 2016 of the Company and our report dated June 22, 2016 expressed an unqualified opinion on those financial statements.

/s/ DELOITTE & TOUCHE LLP

San Jose, California
June 22, 2016

Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure*

None.

Item 9A. *Controls and Procedures*

(a) Evaluation of Disclosure Controls and Procedures

The phrase "disclosure controls and procedures" refers to controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934, as amended (the Exchange Act), such as this Annual Report on Form 10-K, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the U.S. Securities and Exchange Commission (SEC). Disclosure controls and procedures are also designed to ensure that such information is accumulated and communicated to our management, including our Chief Executive Officer (CEO) and our Chief Financial Officer (CFO), as appropriate to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of our management, including our CEO and CFO, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of April 29, 2016, the end of the fiscal period covered by this Annual Report on Form 10-K (the Evaluation Date). Based on this evaluation, our CEO and CFO concluded as of the Evaluation Date that our disclosure controls and procedures were effective such that the information required to be disclosed in our SEC reports (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and (ii) is accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

(b) Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, our management concluded that, as of April 29, 2016, our internal control over financial reporting was effective at the reasonable assurance level based on those criteria.

The effectiveness of our internal control over financial reporting as of April 29, 2016 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report, which is included in Part II, Item 8 of this Annual Report on Form 10-K.

(c) Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting identified in connection with our evaluation required by paragraph (d) of rules 13a-15 and 15d-15 under the Exchange Act that occurred during the fourth quarter of fiscal 2016 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. **Other Information**

None.

PART III

Item 10. ***Directors, Executive Officers and Corporate Governance***

The information required by Item 10 with respect to our executive officers is incorporated herein by reference from the information under Item 1 – Business of Part I of this Annual Report on Form 10-K under the section entitled "Executive Officers." The information required by Item 10 with respect to the Company's directors and corporate governance is incorporated herein by reference from the information provided under the headings "Election of Directors" and "Corporate Governance," respectively, in the Proxy Statement for the 2016 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission within 120 days of our year ended April 29, 2016. The information required by Item 405 of Regulation S-K is incorporated herein by reference from the information provided under the heading "Section 16(a) Beneficial Ownership Reporting Compliance" in the Proxy Statement for the 2016 Annual Meeting of Stockholders.

We have adopted a written code of ethics that applies to our Board of Directors and all of our employees, including our principal executive officer and principal financial and accounting officer. A copy of the code of ethics, which we refer to as our "Code of Conduct," is available on our website at http://investors.netapp.com/governance.cfm. We will post any amendments to or waivers from the provisions of our Code of Conduct on our website.

Item 11. ***Executive Compensation***

Information regarding the compensation of executive officers and directors of the Company is incorporated by reference from the information under the headings "Executive Compensation and Related Information" and "Director Compensation," respectively, in our Proxy Statement for the 2016 Annual Meeting of Stockholders.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

Information regarding security ownership of certain beneficial owners and management and related stockholder matters is incorporated by reference from the information under the heading "Security Ownership of Certain Beneficial Owners and Management" in our Proxy Statement for the 2016 Annual Meeting of Stockholders.

Item 13. ***Certain Relationships and Related Transactions, and Director Independence***

Information regarding certain relationships and related transactions and director independence is incorporated by reference from the information under the headings "Corporate Governance" and "Certain Transactions with Related Parties" in our Proxy Statement for the 2016 Annual Meeting of Stockholders.

Item 14. ***Principal Accountant Fees and Services***

The information required by this item is incorporated by reference from the information under the caption "Audit Fees" in our Proxy Statement for the 2016 Annual Meeting of Stockholders.

With the exception of the information incorporated in Items 10, 11, 12, 13 and 14 of this Annual Report on Form 10-K, NetApp's Proxy Statement is not deemed "filed" as part of this Annual Report on Form 10-K.

PART IV

Item 15. ***Exhibits, Financial Statement Schedules***

(a) Documents filed as part of this report

(1) All Financial Statements

See index to Consolidated Financial Statements in Part II, Item 8 of this Form 10-K

(2) Financial Statement Schedules

All financial statement schedules have been omitted, since the required information is not applicable or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements and notes thereto included in this Form 10-K.

(3) Exhibits required by Item 601 of Regulation S-K

The information required by this Section (a)(3) of Item 15 is set forth on the exhibit index that follows the Signatures page of this Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NETAPP, INC.

By: /s/ GEORGE KURIAN
George Kurian
Chief Executive Officer and President
(Principal Executive Officer and Principal Operating Officer)

Date: June 22, 2016

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints George Kurian and Ronald J. Pasek, and each of them, as his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitutes, may lawfully do or cause to be done by virtue thereof.

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

Signature	Title	Date
/s/ GEORGE KURIAN George Kurian	Chief Executive Officer and President (Principal Executive Officer and Principal Operating Officer)	June 22, 2016
/s/ RONALD J. PASEK Ronald J. Pasek	Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	June 22, 2016
/s/ T. MICHAEL NEVENS T. Michael Nevens	Chairman of the Board	June 22, 2016
/s/ JEFFRY R. ALLEN Jeffry R. Allen	Director	June 22, 2016
/s/ ALAN L. EARHART Alan L. Earhart	Director	June 22, 2016
/s/ GERALD HELD Gerald Held	Director	June 22, 2016
/s/ KATHRYN M. HILL Kathryn M. Hill	Director	June 22, 2016
/s/ GEORGE T. SHAHEEN George T. Shaheen	Director	June 22, 2016
/s/ STEPHEN M. SMITH Stephen M. Smith	Director	June 22, 2016
/s/ ROBERT T. WALL Robert T. Wall	Director	June 22, 2016
/s/ RICHARD P. WALLACE Richard P. Wallace	Director	June 22, 2016

EXHIBIT INDEX

Exhibit No	Description	Incorporation by Reference			
		Form	File No.	Exhibit	Filing Date
3.1	Certificate of Incorporation of the Company, as amended.	10-Q	000-27130	3.1	November 26, 2013
3.2	Bylaws of the Company, as amended.	8-K	000-27130	3.1	February 13, 2014
4.1	Indenture dated December 12, 2012, by and between the Company and U.S. Bank National Association.	8-K	000-27130	4.1	December 12, 2012
4.2	First Supplemental Indenture dated December 12, 2012, by and between the Company and U.S. Bank National Association.	8-K	000-27130	4.2	December 12, 2012
4.3	Underwriting Agreement dated June 2, 2014 by and between the Company and Goldman, Sachs & Co. and J.P. Morgan Securities LLC as Managers of the Underwriters.	8-K	000-27130	1.1	June 5, 2014
4.4	Second Supplemental Indenture dated June 5, 2014 by and between the Company and U.S. Bank National Association.	8-K	000-27130	4.1	June 5, 2014
10.1*	Form of Indemnification Agreement by and between the Company and each of its directors and executive officers.	10-Q	000-27130	10.1	August 28, 2014
10.2*	The Company's Amended and Restated Change of Control Severance Agreement (CEO).	10-Q	000-27130	10.4	December 2, 2009
10.3*	Form of Amendment to Change of Control Severance Agreement.	10-Q	000-27130	10.1	August 30, 2012
10.4*	Form of Change Control Severance Agreement (Non-CEO Executives).	10-Q	000-27130	10.2	August 30, 2012
10.5*	Form of Amendment No. 1 to Change of Control Severance Agreement.	10-K	000-27130	10.64	June 19, 2012
10.6*	Amendment to Change in Control Agreement dated as of June 23, 2015 by and between the Company and George Kurian.	10-Q	000-27130	10.3	September 8, 2015
10.7*	The Company's Amended and Restated Executive Compensation Plan, as amended effective July 23, 2014.	DEF 14A	000-27130	Appendix C	July 25, 2014
10.8*	The Company's Deferred Compensation Plan.	8-K	000-27130	2.1	July 7, 2005
10.9*	The Company's Amended and Restated Employee Stock Purchase Plan, as amended effective July 27, 2015.	DEF 14A	000-27130	Appendix B	July 27, 2015

Exhibit No	Description	Incorporation by Reference			
		Form	File No.	Exhibit	Filing Date
10.10*	The Company's Amended and Restated 1995 Stock Incentive Plan.	DEF 14A	000-27130		August 21, 1998
10.11*	Form of Stock Option Agreement approved for use under the Company's amended and restated 1995 Stock Option Plan.	10-K	000-27130	10.21	July 8, 2005
10.12*	Form of Stock Issuance Agreement approved for use under the Company's amended and restated 1995 Stock Option Plan (Restricted Stock).	10-K	000-27130	10.23	July 8, 2005
10.13*	Form of Stock Option Agreement approved for use under the Company's amended and restated 1995 Stock Option Plan (Chairman of the Board or any Board Committee Chairperson).	10-K	000-27130	10.22	July 8, 2005
10.14*	The Company's Amended and Restated 1999 Stock Option Plan, as amended effective July 27, 2015.	DEF 14A	000-27130	Appendix A	July 27, 2015
10.15*	Form of Stock Option Agreement approved for use under the Company's amended and restated 1999 Stock Option Plan.	10-Q	000-27130	10.3	November 26, 2013
10.16*	Form of Restricted Stock Unit Agreement approved for use under the Company's amended and restated 1999 Stock Option Plan (Employees).	10-Q	000-27130	10.4	November 26, 2013
10.17*	Form of Stock Option Agreement approved for use under the Company's amended and restated 1999 Stock Option Plan (Non-Employee Director Automatic Stock Option — Initial).	10-K	000-27130	10.29	July 8, 2005
10.18*	Form of Stock Option Agreement approved for use under the Company's amended and restated 1999 Stock Option Plan (Non-Employee Director Automatic Stock Option — Annual).	10-K	000-27130	10.28	July 8, 2005
10.19*	Form of Restricted Stock Unit Agreement approved for use under the Company's amended and restated 1999 Stock Option Plan (Non-Employees Directors).	10-K	000-27130	10.17	June 18, 2010
10.20*	Form of Restricted Stock Unit Agreement (Performance Based) under the NetApp, Inc. 1999 Stock Option Plan.	8-K	000-27130	10.1	June 26, 2015
10.21*	Form of Stock Option Agreement approved for use under the Company's amended and restated 1999 Stock Option Plan (China).	10-K	000-27130	10.27	July 8, 2005
10.22*	Form of Stock Option Agreement approved for use under the Company's amended and restated 1999 Stock Option Plan (France).	10-K	000-27130	10.30	July 8, 2005

Exhibit No	Description	Incorporation by Reference			
		Form	File No.	Exhibit	Filing Date
10.23*	Form of Stock Option Agreement approved for use under the Company’s amended and restated 1999 Stock Option Plan (India).	10-K	000-27130	10.31	July 8, 2005
10.24*	Form of Stock Option Agreement approved for use under the Company’s amended and restated 1999 Stock Option Plan (United Kingdom).	10-K	000-27130	10.32	July 8, 2005
10.25*	Form of Stock Option Agreement approved for use under the Company’s amended and restated 1999 Stock Option Plan (Israel).	10-K	000-27130	10.81	June 24, 2008
10.26*	Form of Stock Option Grant Notice and Option Agreement for use under the Decru, Inc. Amended and Restated 2001 Equity Incentive Plan and the 2001 Equity Incentive Plan filed under Attachment II.	S-8	333-128098	99.1	September 2, 2005
10.27*	Form of Stock Option Grant Notice and Option Agreement for use under the Decru, Inc. 2001 Equity Incentive Plan and the 2001 Equity Incentive Plan filed under Attachment II.	S-8	333-128098	99.2	September 2, 2005
10.28*	Form of Restricted Stock Bonus Grant Notice and Agreement under the Decru, Inc. 2001 Equity Incentive Plan.	S-8	333-128098	99.4	September 2, 2005
10.29*	Onaro, Inc. Amended and Restated 2002 Stock Option and Incentive Plan (including Appendix — Israeli Taxpayers).	S-8	333-149375	4.1	February 25, 2008
10.30*	Bycast Inc. 2010 Equity Incentive Plan.	S-8	333-167619	99.1	June 18, 2010
10.31*	Incentive Stock Option Plan of Bycast Inc.	S-8	333-167619	99.2	June 18, 2010
10.32*	ionGrid, Inc. 2013 Equity Incentive Plan.	S-8	333-186967	99.1	February 28, 2013
10.33*	Form of Restricted Stock Unit Agreement under the ionGrid, Inc. 2013 Equity Incentive Plan.	S-8	333-186967	99.2	February 28, 2013
10.32*	Outside Director Compensation Policy.	10-K	000-27130	10.65	June 19, 2012
10.33*	Separation and Release Agreement dated June 1, 2015 by and between the Company and Thomas Georgens.	10-Q	000-27130	10.2	September 8, 2015
10.34*	Retirement and Transition Services Agreement dated April 7, 2016 by and between the Company and Robert Salmon.	—	—	—	—

Exhibit No	Description	Incorporation by Reference			
		Form	File No.	Exhibit	Filing Date
10.35*	Offer Letter for employment at the Company to Ronald Pasek, dated March 22, 2016.	—	—	—	—
10.36	Credit Agreement, dated December 21, 2012, by and among the Company, the lenders party thereto, JP Morgan Chase Bank, N.A., as administrative agent, Morgan Stanley Senior Funding, Inc. and Wells Fargo Bank, National Association, as Co-Syndication Agents, and J.P. Morgan Securities LLC, Morgan Stanley Funding, Inc. and Wells Fargo Securities LLC, as Joint Bookrunners and Joint Lead Arrangers.	8-K	000-27130	10.1	December 28, 2012
10.37	Amendment No. 1, dated February 2, 2016, by and among the Company, the lenders party thereto and JP Morgan Chase Bank, N.A., as administrative agent.	8-K	00027130	10.2	February 2, 2016
10.38	Loan Agreement, dated February 2, 2016, by and among the Company, Sonoma Holdings C.V., as assuming borrower, the lenders party thereto and JP Morgan Chase Bank, N.A., as administrative agent.	8-K	000-27130	10.1	February 2, 2016
10.39	Collared Accelerated Share Repurchase Transaction dated as of June 5, 2013, by and between the Company and Goldman, Sachs & Co.	10-Q	000-27130	10.1	November 26, 2013
10.40	Agreement and Plan of Merger, dated as of December 18, 2015, among the Company, Sonoma Merger Corp., SolidFire, Inc. and Shareholder Representative Services LLC.	8-K	000-27130	2.1	December 21, 2015
10.41	Agreement of Purchase and Sale and Joint Escrow Instructions dated as of March 9, 2016 by and between the Company and Google Inc.	—	—	—	—
10.42	First Amendment to Agreement of Purchase and Sale and Join Escrow Instructions dated as of March 11, 2016, by and between the Company and Google Inc.	—	—	—	—
10.43	Second Amendment to Agreement of Purchase and Sale and Join Escrow Instructions dated as of April 8, 2016, by and between the Company and Google Inc.	—	—	—	—
21.1	Subsidiaries of the Company.	—	—	—	—

Exhibit No	Description	Incorporation by Reference			
		Form	File No.	Exhibit	Filing Date
23.1	Consent of Independent Registered Public Accounting Firm.	—	—	—	—
24.1	Power of Attorney (see signature page).	—	—	—	—
31.1	Certification of the Chief Executive Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002.	—	—	—	—
31.2	Certification of the Chief Financial Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002.	—	—	—	—
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.	—	—	—	—
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.	—	—	—	—
101.INS	XBRL Instance Document	—	—	—	—
101.SCH	XBRL Taxonomy Extension Schema Document	—	—	—	—
101.CAL	XBRL Taxonomy Calculation Linkbase Document	—	—	—	—
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	—	—	—	—
101.LAB	XBRL Taxonomy Label Linkbase Document	—	—	—	—
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	—	—	—	—

* Identifies management plan or compensatory plan or arrangement.

† The schedules and other attachments to this exhibit have been omitted. The Company agrees to furnish a copy of any omitted schedules or attachments to the SEC upon request.

Exhibit 10.34

April 7, 2016

Robert Salmon
c/o NetApp,
495 E. Java Drive
Sunnyvale, CA 94089

Dear Rob:

This letter confirms the agreement between NetApp, Inc., (the "Company") and you regarding the terms of your retirement from the Company and your agreement to provide transition services to the Company.

1. **Exit Date and Resignations**. Your last day of employment with the Company shall be June 30, 2016 (the "Exit Date"). You further confirm your resignation, effective June 30, 2016, from the Company. You agree to execute any necessary forms or other documents reasonably required to effect your resignation as an employee or officer as a matter of state, federal, or foreign law. Until your Exit Date, you agree to provide transition services to the Company, including consulting with the Company on ongoing matters and answering questions.

2. **Benefits**. In consideration for your signing this agreement, you will receive the Benefits set forth in the attached Exhibit A, which terms shall be deemed to be incorporated in full herein and which terms shall be subject to the conditions set forth herein and the Change of Control Severance Agreement between you and the Company effective as of June 19, 2008, as amended (the "Change of Control Severance Agreement").

3. **Return of Company Property**. You agree that within five (5) business days following the Exit Date you will return to the Company all Company property in your possession. The Company acknowledges that following the Exit Date, you may retain your Company laptop computer, cell phone, and similar devices provided that all Company information is removed from such devices. Company personnel will assist and facilitate the removal of such information. You further agree that you will not delete or destroy any information that you are obligated to preserve pursuant to any preservation request that you received from Company counsel or court order provided to you by the Company.

4. **Maintaining Confidential Information**. You agree not to disclose any confidential information you acquired, while an employee of the Company, to any other person or use such information in any manner that is detrimental to the Company's interests, per NetApp's *Proprietary Information and Inventions Agreement* (the "Proprietary Information Agreement"), which you signed when you were hired and you further agree to honor the terms of that agreement, including those terms which survive your employment with the Company.

5. **Acknowledgement of Payment of Wages**. Except for any benefits set forth in Section 2, by your last day worked you will have received your final paycheck which will include a final payment for wages through your Exit Date, salary, your Incentive Compensation Plan bonus for FY16 (based on Company FY16 results), employee stock purchase plan reimbursement, accrued but unused vacation pay and any similar payments due from NetApp, less applicable taxes and 401k deduction, if applicable, as of the Exit Date. You acknowledge that NetApp does not owe you any other amounts, except any valid un-reimbursed business expenses that you will submit to the Company.

6. **Incentive Compensation Plan**. You will receive an Incentive Compensation Plan ("ICP") bonus in accordance with the terms of the NetApp FY16 Incentive Compensation Plan ("the Plan"). The amount of this bonus will be calculated based upon company performance for FY16 and your FY16 eligible earnings (as defined in the Plan) and will be subject to normal payroll deductions and withholdings. Your ICP bonus will be paid on or about July 15, 2016.

7. **General Release of the Company**. You understand that by agreeing to this release you are agreeing not to sue, or otherwise file any claim against, the Company or any of its employees or other agents for any reason whatsoever based on anything that has occurred as of the date you sign this agreement.

a) On behalf of yourself and your heirs and assigns, you hereby release and forever discharge the "Releasees" hereunder, consisting of the Company, and each of its owners, shareholders, affiliates, divisions, predecessors, successors, assigns, agents, directors, officers, partners, employees, and insurers, and all persons acting by, through, under or in concert with them, or any of them, of and from any and all manner of action or actions, cause or causes of action, in law or in equity, suits, debts, liens, contracts, agreements, promises, liability, claims, demands, damages, loss, cost or expense, of any nature whatsoever, known or unknown, fixed or contingent (hereinafter called "Claims"), which you now have or may hereafter have against the Releasees, or any of them, by reason of any matter, cause, or thing whatsoever from the beginning of time to the date hereof, including, without limiting the generality of the foregoing, any Claims arising out of, based upon, or relating to your hire, employment, remuneration or resignation by the Releasees, or any of them, including any Claims arising under Title VII of the Civil Rights Act of 1964, as amended; the Age Discrimination in Employment Act, as amended; the Equal Pay Act, as amended; the Fair Labor Standards Act, as amended; the Employee Retirement Income Security Act, as amended; the California Fair Employment and Housing Act, as amended; the California Labor Code; and/or any other local, state or federal law governing discrimination in employment and/or the payment of wages and benefits.

Notwithstanding the generality of the foregoing, you do not release the following claims:

(i) Claims for unemployment compensation or any state disability insurance benefits pursuant to the terms of applicable state law;

(ii) Claims for workers' compensation insurance benefits under the terms of any workers' compensation insurance policy or fund of the Company;

(iii) Claims to continued participation in certain of the Company's group benefit plans pursuant to the terms and conditions of the federal law known as COBRA;

(iv) Claims to any benefit entitlements vested as the date of your employment termination, pursuant to written terms of any Company employee benefit plan;

(v) Claims to any benefits due and owing pursuant to Section 2;

(vi) Claims that cannot be released as a matter of law, including, but not limited to: (1) your right to file a charge with or participate in a charge by the Equal Employment Opportunity Commission, the National Labor Relations Board, the Securities and Exchange Commission, or any other local, state, or federal administrative body or government agency that is authorized to enforce or administer laws related to your employment, against the Company (with the understanding that any such filing or participation does not give you the right to recover any monetary damages against the Company; your release of claims herein bars you from recovering such monetary relief from the Company); (2) claims under Division 3, Article 2 of the California Labor Code (which includes California Labor Code section 2802 regarding indemnity for necessary expenditures or losses by employee); and (3) claims prohibited from release as set forth in California Labor Code section 206.5 (specifically "any claim or right on account of wages due, or to become due, or made as an advance on wages to be earned, unless payment of such wages has been made"); and

(vii) Claims under the terms of any indemnification agreement entered into between you and the Company.

b) YOU ACKNOWLEDGE THAT YOU ARE FAMILIAR WITH THE PROVISIONS OF CALIFORNIA CIVIL CODE SECTION 1542, WHICH PROVIDES AS FOLLOWS:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

BEING AWARE OF SAID CODE SECTION, YOU HEREBY EXPRESSLY WAIVE ANY RIGHTS YOU MAY HAVE THEREUNDER, AS WELL AS UNDER ANY OTHER STATUTES OR COMMON LAW PRINCIPLES OF SIMILAR EFFECT.

c) You acknowledge that you are waiving and releasing any rights you may have under the Age Discrimination in Employment Act of 1967 ("ADEA") and that this waiver and release is knowing and voluntary. You and the Company agree that this waiver and release does not apply to any rights or claims that may arise under ADEA after the effective date of this agreement. You acknowledge that the consideration given for this release is in addition to anything of value to which you were already entitled. You further acknowledge that you have been advised by this agreement that (a) you should consult with an attorney before signing this agreement; (b) you have

up to twenty-one (21) days within which to consider this agreement; (c) you have seven (7) days following your signing this agreement to revoke it; (d) this release will not be effective until the revocation period has expired; and (e) nothing in this agreement prevents or precludes you from challenging or seeking a determination in good faith of the validity of this waiver under the ADEA, nor does it impose any condition precedent, penalties or costs from doing so, unless specifically authorized by federal law. In the event you sign this agreement and return it to the Company in less than the 21-day period identified above, you hereby acknowledge that you have freely and voluntarily chosen to waive the time period allotted for considering this agreement.

8. **Non-Disparagement**. You agree not to make any false, disparaging or derogatory statements to any media outlet, industry group, financial institution or current or former employee, consultant, client, customer of the Company or other person or entity regarding the Company, or any of its directors, officers, employees, agents or representatives, or about the Company's products, services, technologies, business affairs and/or financial condition. The Company, its Board of Directors, and its "officers" as defined under Section 16 of the Securities Exchange Act of 1934, agree not make any false, disparaging ore derogatory statements to any media outlet, industry group, financial institution or current or former employee, consultant, client, customer of the Company or other person or entity about you. Nothing in this section shall prevent any person identified herein from testifying truthfully under oath pursuant to subpoena or other legal process.

9. **Cooperation with the Company**. You agree to cooperate fully with the Company in its defense or prosecution of or other participation in any administrative, judicial or other proceeding arising from any charge, complaint, action for protection of intellectual property, or other action which has been or may be filed that relates to you or any work you may have done for the Company.

10. **Severability**. The provisions of this agreement are severable. If any provision is held to be invalid or unenforceable, it shall not affect the validity or enforceability of any other provision.

11. **Choice of Law/Venue**. This agreement will be governed by the laws of the State of California, without regard for choice-of-law provisions. You consent to personal and exclusive jurisdiction and venue in the State of California.

12. **Voluntary and Knowing Agreement**. You represent that you have thoroughly read and considered all aspects of this agreement, that you understand all its provisions and that you are voluntarily entering into this agreement.

13. **Effective Date**. You have seven (7) days after you sign this agreement to revoke it. This agreement will become effective on the eighth (8th) day after you sign this agreement, so long as it has been signed by both parties and has not been revoked by you before that date.

14. **Entire Agreement; Amendment**. This agreement, together with the Change of Control Severance Agreement (including its arbitration provision), Proprietary Information Agreement, Indemnification Agreement between you and the Company effective as of May 15, 2014, and agreements relating to your equity incentive awards, set forth the entire agreement

between you and the Company and supersede any and all prior oral or written agreements or understandings between you and the Company concerning the subject matter. This agreement may not be altered, amended or modified, except by a further written document signed by you and the Company.

If the above accurately reflects your understanding, please date and sign the enclosed copy of this letter in the places indicated below and return it to me.

Respectfully,

/s/ Matthew K. Fawcett
Matthew K. Fawcett
General Counsel

Accepted and agreed to on March 23, 2016.

/s/ Robert Salmon
Robert Salmon

EXHIBIT A

Subject to your signing and not revoking the agreement, you shall be entitled to receive the following Benefits:

a) Transition Services Payment. In return for your agreement to provide transition services to the Company, you will receive a lump sum payment of $650,000.00 (six hundred fifty thousand dollars), less applicable withholdings. Said lump sum payment (less withholdings) shall be made within ten (10) business days following the Exit Date. You understand that the Company will issue you a Form W-2 in connection with the Severance Payment.

b) Treatment of Equity. You will vest all outstanding equity incentive awards through the Exit Date. All outstanding equity incentive awards that have not yet vested in accordance with their terms on or before the Exit Date shall cease to vest and shall be forfeited as of such date. Except as set forth in this agreement, all other provisions of your equity incentive awards (including, but not limited to, the exercise of vested options) shall remain in full force and effect and your equity incentive awards shall continue to be governed by the terms and conditions of the equity incentive awards.

c) Medical Benefits. You will receive executive retiree medical benefits.

NetApp: /s/ mkf

Robert Salmon: /s/ Robert Salmon

Exhibit 10.35

March 22, 2016 Ron
Pasek
16235 Oak Glen Ave Morgan Hill,
CA 95037

Dear Ron:

We are pleased to offer you the position of Executive Vice-President, CFO, with NetApp, Inc. ("NetApp" or the "Company"). In this exempt position, you will report to the CEO, George Kurian, and will be based out of our facility, located at: 495 East Java Drive, Sunnyvale, CA. Your annual base salary will be $550,000, less applicable tax withholdings and deductions.

In addition to your base compensation, you will be eligible to earn an annual incentive compensation payout in accordance with the NetApp FY'17 Incentive Compensation Plan (the "Plan"). For your position, the annual target incentive compensation payout is 110% of your eligible earnings for FY'17 as defined in the Plan. The executive incentive plan is based on 100% financial goal attainment of the company. There are two measures that determine the payout: 1) annual revenue target; and 2) net operating target.

New Hire Equity

You will receive a new hire equity grant with a value of $1,500,000 RSU's that are 100% time based. The $1 ,500 ,000 value will be delivered 100% in time vested RSU's, which shall vest at a rate of 25% per year ratably over four years from date of grant, on each annual anniversary of the grant date, subject to your continued employment through the applicable vesting date. The effective date of the grant will be on or about the 15th of the month following the month of your date of hire.

Performance Based RSU Equity

You will also participate in the annual equity plan. For FY17, your annual value will be $2.010M.

The $2.010M value will be delivered in two equity grants, with 60% of the total value, or $1.2M, in the form of a performance based RSU grant (the "PBRSUs") with a three year performance period and subject to the terms, conditions and performance criteria determined by the Compensation Committee of the Board of Directors (the "Compensation Committee") at the time of grant. The remaining 40% of the total value, or $810,000, will be in the form of time- based RSUs (the "Time-based RSUs") which shall vest at the annual rate of 25% of the total number of RSUs subject to the Time-based RSUs on each annual anniversary of the grant date, subject to your continued employment with the Company through the applicable vesting date.

The date of grant and vesting commencement date of the PBRSUs shall be as determined by the Compensation Committee in the first quarter of the Company's fiscal year 2017. The date of grant of the Time-based RSUs will be commensurate with the Company's annual equity program, currently scheduled to be in June 2016.

As a regular employee of the Company, you are eligible for NetApp benefits, including medical, dental and life insurance, as of your hire date. The Company reserves the right to modify, amend or terminate any employee benefits at any time for any reason.

Vacation

As an Executive Vice President, you will not accrue any annual vacation. You are permitted to take vacation at your convenience in any number of days you require, subject to your manager's approval and provided that the vacation day(s) does not unreasonably interfere with the performance of your job.

Executive Physical Benefit

Our medical insurance plan with UHC includes an Executive Physical Benefit-once per calendar year, payable at 100% up to a maximum of $2,500 whether an in-network or out-of-network physician is used. You will receive additional details regarding this benefit from the HR Benefits Team.

Insider Trading

As an employee of NetApp, you are required to sign and agree to the Code of Conduct which includes the Company's Insider Trading Policy. As an Executive Vice President, you are considered an "Insider" under that policy and as a result, you are required to abide by the "Trading Window", as well as, any other obligations under that policy.

Non-Qualified Deferred Compensation Plan

30 days after you are hired, you are eligible for enrollment in the NetApp Non-Qualified Deferred Compensation Plan. The objective of the Non-Qualified Deferred Compensation Plan is to provide you with an opportunity to defer income (annual base and/or incentive compensation) on a pre-tax basis. You will receive additional details on this Plan from the HR Benefits Team within 30 days of your hire date.

As a technology leader, NetApp develops and works with sensitive technologies controlled under various United States export laws and associated federal regulations. Due to these controls, you will need to complete the NetApp Export Control Disclosure & Agreement, as it is sometimes necessary for NetApp to secure export licenses. NetApp Human Resources or your hiring manager will notify you if a license is required, and whether NetApp will apply for a license on your behalf. This offer of employment, or your continued employment (if applicable), is contingent upon NetApp obtaining any required license. If NetApp decides not to apply for a license or if a license is not obtained within a reasonable period of time (as determined in NetApp's sole discretion), NetApp reserves the right to rescind this employment offer or terminate your employment.

This offer of employment is contingent upon your being able to provide evidence of

your authorization to work in the United States. On your first day at NetApp, you are required to provide the Company with a completed Form I-9 (U.S. Employment Verification Eligibility), which you will receive separately, and the legally-required proof of your identity and authorization to work in the United States.

This offer of employment is also contingent upon your satisfactorily completing, agreeing to, signing, and otherwise fulfilling the following NetApp documents and associated clearance processes (as determined in NetApp's sole discretion). NetApp also reserves the right to rescind this employment offer or terminate your employment for failure to satisfactorily complete the following documents and processes:

1. NetApp Code of Conduct & Conflicts of Interest Certification
2. NetApp Insider Trading Policy & Consent
3. NetApp Proprietary Information & Inventions Agreement and Disclosure
4. NetApp Export Control Disclosure & Agreement
5. NetApp Background Check

5.6 NetApp Directors' and Officers' Questionnaire

This offer is contingent upon Board approval of your appointment as Chief Financial Officer following completion of the foregoing documents and processes.

We are of the understanding that: (i) you have checked to make sure that you are under no legal obligations (by contract with a prior employer or otherwise) that would prevent or prohibit you from performing the duties of the position that you are being offered, (ii) you have had the opportunity to seek legal advice if it was necessary to address or evaluate your obligations in this regard, (iii) that you can represent to the Company that you are under no legal obligations that would prohibit you from performing the duties of the position being offered to you, and that (iv) you will not, in the performance of your duties to the Company, breach any non-disclosure, proprietary rights, non-competition, non-solicitation or other covenant in favor of any third party.

The Company does not want you to bring with you any confidential or proprietary material of any former employee or to violate any other obligation to your former employers. NetApp's offer of employment is contingent upon your full compliance with the terms of any valid existing agreements with a prior employer or otherwise, and NetApp specifically reserves the right to revoke this offer or terminate your employment if for any reason you are contractually restricted from performing the full duties of the position being offered to you.

Employment with NetApp is for no specific period of time. As a result, either NetApp or you are free to terminate the employment relationship at any time for any reason, with or without notice or cause. This is the full and complete agreement between NetApp and you on this term. Although your job duties, tit le, compensation and benefits, as well as the Company's policies and procedures, may change from time-to-time, the "at-will" nature of your employment may only be changed in an express writing signed by the President of the Company and you.

This letter sets forth the terms of your employment with NetApp and supersedes any prior representations or agreements, whether written or oral. This offer will expire on *Tuesday, March* 29, *2016.* Please electronically sign the offer letter on or prior to the expiration date of this offer.

We look forward to having you join us. Shortly you will receive a "Welcome" email with login instructions asking you to log in to the NetApp Pre-Boarding tool. The tool provides a preview of NetApp's values and culture and contains important forms that

you must complete before your start date. Please log on to www.netapp.com before your start date to catch up on news, press releases and other information related to the Company. If you have any questions, please contact me directly.

Sincerely,

/s/ Grace Soriano-Abad

Grace Soriano-Abad
Vice President, Global Staffing NetApp, Inc.

I have read, agree to and accept this employment offer:

/s/ Ronald James Pasek   March 23, 2016
Date

Ronald James Pasek

My starting date will be April 11,2016

March 23, 2016

Date

AGREEMENT OF PURCHASE AND SALE
AND JOINT ESCROW INSTRUCTIONS

I

SUMMARY AND DEFINITION OF BASIC TERMS

This Agreement of Purchase and Sale and Joint Escrow Instructions (the "**Agreement**"), dated as of the Effective Date set forth in Section 1 of the Summary of Basic Terms, below, is made by and between GOOGLE INC., a Delaware corporation ("**Buyer**"), and NETAPP, INC., a Delaware corporation ("**Seller**"). The terms set forth below shall have the meanings set forth below when used in the Agreement.

TERMS OF AGREEMENT (first reference in the Agreement)	DESCRIPTION
1.**Effective Date** (Introductory Paragraph):	March 9, 2016.
2.**Buildings**:	The eight (8) buildings located on the Land situated in the City of Sunnyvale, County of Santa Clara, California, and commonly known as follows: (i) an approximately 46,170 square foot building located at 1299 Orleans Drive, (ii) an approximately 42,624 square foot building located at 1277 Orleans Drive, (iii) an approximately 95,464 square foot building located at 1260 Crossman Avenue, (iv) an approximately 125,648 square foot building located at 1240 Crossman Avenue, (v) an approximately 110,160 square foot building located at 549 Baltic Avenue, (vi) an approximately 88,320 square foot building located at 641 Baltic Drive, (vii) an approximately 43,372 square foot building located at 611 Baltic, and (viii) an approximately 43,372 square foot building located at 633 Caribbean Drive. The buildings and related Land described in items (i), (ii), (iii) and (iv) are hereinafter referred to as the "Site 2 Property." The buildings and related Land described in items (v), (vi), (vii) and (viii) are hereinafter referred to as the "Site 3 Property."
3.**Buyer's Notice Address** (Section 14):	1600 Amphitheater Parkway Mountain View, California 94043 Attn: VP, Real Estate and Workplace Services With copies as set forth in Section 14 herein
4.**Purchase Price** (Section 2.1):	Two Hundred Fifty Million and 00/100 Dollars ($250,000,000.00)

5.**Deposit** **Initial Deposit** (Section 2.2.1):	Ten Million Dollars ($10,000,000.00)
6.**Additional Deposit** (Section 2.2.2):	Ten Million Dollars ($10,000,000.00)
7.**Escrow Holder** and **Escrow Holder's Notice Address** (Section 3):	First American Title Insurance Company 1737 North First Street Suite 600 San Jose, California 95112 Attn: Linda Tugade
Title Company (Section 4.2.1):	First American Title Insurance Company 1737 North First Street Suite 600 San Jose, California 95112 Attn: Mike Hickey
8.**Contingency Deadline** (Section 4.1):	5:00 pm (Pacific Time) on March 11, 2016
9.**Outside Closing Date** (Section 3.2):	April 12, 2016, subject to any extension rights provided in this Agreement; provided that in no event shall the Outside Closing Date be later than April 22, 2016.
10.**Seller's Representative**:	Ms. Elisabeth Arslaner
11.**Natural Hazard Expert** (Section 10.1.6(b)):	First American Title Insurance Company

II

RECITALS

A. Seller desires to sell and convey to Buyer, and Buyer desires to purchase and acquire, all of Seller's right, title and interest in and to the following:

i. These certain parcels of land more particularly described on Exhibit "A" attached hereto (collectively, the "**Land**") and all of Seller's interest in all rights, privileges, easements and appurtenances benefiting the Land and/or the Improvements (as defined below), including Seller's interest, if any, in all mineral and water rights and all easements, rights-of-way and other appurtenances used or connected with the beneficial use or enjoyment of the Land and/or the Improvements (the Land, the Improvements and all such rights, privileges, easements and appurtenances are sometimes collectively hereinafter referred to as the "**Real Property**");

ii. The Buildings, associated parking and landscaped areas and all other improvements located on the Land (the "**Improvements**");

iii. All of Seller's interest as lessor in and to all leases, licenses and occupancy agreements covering the Land and Improvements, a list of which is attached hereto as Exhibit "I", (collectively, the "**Leases**");

iv. All of Seller's interest under the Contracts (as defined in Section 4.1.1 below); provided that the following Contracts shall not be assigned to Buyer: (i) such Contracts as Seller desires to continue to maintain after the Closing in order for Seller to fulfill Seller's obligations pursuant to the NetApp Leases (as defined in Section 5.1.7 below) provided that such Contracts shall be terminated with respect to the portion of the Property that will not be leased back to Seller pursuant to the relevant NetApp Lease, (ii) any brokerage commission agreements (which Contracts shall be terminated by Seller effective as of the Closing at Seller's sole cost) and (iii) other Contracts which, pursuant to the terms of this Agreement shall be terminated by Seller (which Contracts shall be terminated by Seller effective as of the Closing at Seller's sole cost;

v. All tangible personal property, equipment, supplies and fixtures owned by Seller and used in the operation of, and located at, the Real Property (collectively, the "**Personal Property**"); provided, however, that the term "Personal Property" shall exclude (a) any electric car charging stations, generators and computer network infrastructure equipment, and (b) any tangible personal property, equipment, supplies and/or fixtures set forth on Exhibit "L" attached hereto (provided that Seller shall remove any such Property prior to the Closing or as of the expiration or earlier termination of the relevant NetApp Lease with respect to any portion of the Property that will be leased back to NetApp pursuant to a NetApp Lease and repair any damage caused by the removal of such property (including, without limitation, completing any patching and filling any holes caused by the removal), at Seller's sole cost and expense); and

vi. To the extent assignable, all of Seller's interest in any intangible property rights in connection with the foregoing, contract rights, warranties, guaranties, licenses, permits, entitlements, governmental approvals and certificates of occupancy which benefit the Real Property, the Improvements, and/or the Personal Property (the "**Intangible Personal Property**"). Intangible Personal Property shall not include Seller's interest in (a) any cash, bank or other deposit accounts (except for any security deposits transferred to Buyer as provided herein), (b) refunds of prepaid expenses including any unearned insurance premiums, (c) tax refunds for periods prior to Closing (except to the extent amounts must be refunded to tenants under the Leases), (d) all insurance and other claims arising prior to the Effective Date, (e) any website maintained by Seller or its affiliates or the property manager, and (f) any trade name, service name, service mark or other proprietary or intellectual property belonging to Seller or its affiliates or the property manager. The Real Property, the Improvements, the Personal Property, Seller's interest under the Property Contracts, Seller's interest as lessor under the Leases, and the Intangible Personal Property are sometimes collectively hereinafter referred to as the "**Property**."

B. Prior to the Contingency Deadline, Buyer will have the opportunity to conduct all due diligence with regard to the Property as set forth in Sections 4.1 and 4.2 below (collectively, the "**Due Diligence Investigations**").

III

AGREEMENT

NOW, THEREFORE, in consideration of the covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Buyer and Seller hereby agree as follows, and hereby instruct Escrow Holder as follows.

1. Purchase and Sale. Seller agrees to sell to Buyer, and Buyer agrees to purchase from Seller, all of Seller's right, title and interest in the Property upon the terms and conditions set forth in this Agreement.

2. Purchase Price.

2.1 Purchase Price. Buyer shall pay the Purchase Price for the Property as hereinafter provided in this Section 2.

2.2 Deposit.

2.2.1 Initial Deposit. Within five (5) business days after the Effective Date, Buyer shall deliver to Escrow Holder the Initial Deposit. The Initial Deposit and Additional Deposit (if applicable) shall be deposited by Escrow Holder in an interest-bearing account at a federally insured institution as Escrow Holder deems appropriate and consistent with the timing requirements of this Agreement. The interest thereon shall accrue to the benefit of Buyer and be paid to the party receiving the Deposit pursuant to the terms of this Agreement, and Buyer and Seller hereby acknowledge that there may be penalties or interest forfeitures if the applicable instrument is redeemed prior to its specified maturity. Buyer agrees to provide its Federal Tax Identification Number to Escrow Holder upon the Opening of Escrow. Concurrently with the expiration of the Property Approval Period and provided Buyer has not delivered Buyer's Disapproval Notice (as those terms are defined in Sections 4.1.1 and 4.1.2, respectively, below) to Seller and Escrow Holder, the entire Initial Deposit shall become non-refundable except as otherwise expressly provided in this Agreement. If prior to the expiration of the Property Approval Period, Buyer delivers Buyer's Disapproval Notice to Seller and Escrow Holder, this Agreement shall terminate and the Initial Deposit, together with all interest accrued thereon (but less the Independent Consideration (as defined in Section 2.4 below) and one-half (1/2) of any escrow cancellation costs), shall be returned to Buyer. If this Agreement has not been so terminated, then, after the Contingency Deadline, the Initial Deposit together with interest accrued thereon shall be: (i) applied and credited toward payment of the Purchase Price at the Close of Escrow, or (ii) retained by Seller as liquidated damages pursuant to Section 16.2 below, or (iii) returned to Buyer (less the Independent Consideration) if this Agreement is terminated pursuant to Sections 4.4 or 13, or this Agreement is terminated because of a material breach by Seller in accordance with Section 16.1, or this Agreement is terminated and otherwise provides for the Deposit to be refunded to Buyer.

2.2.2 Additional Deposit. Within five (5) business days after expiration of the Property Approval Period, and provided Buyer has not elected to terminate this Agreement pursuant to Section 4.1.2, Buyer shall deliver to Escrow Holder the Additional Deposit (the Additional Deposit, together with the Initial Deposit and any amounts deposited by Buyer in order to extend the Outside Closing Date pursuant to Section 3.2 below, the "**Deposit**"). Upon receipt by Escrow Holder, the Additional Deposit shall become non-refundable except as otherwise provided in this Agreement. The Additional Deposit together with interest accrued thereon shall be (i) applied and credited toward payment of the Purchase Price at the Close of Escrow, (ii) retained by Seller as liquidated damages pursuant to Section 16.2 below, or (iii) returned to Buyer (less the Independent Consideration) if this Agreement is terminated because of a material breach by Seller in accordance with Section 16.1 or as is provided for in Section 13.2 below, or this Agreement is terminated and otherwise provides for the Deposit to be refunded to Buyer.

2.3 Cash Balance. On or before the Closing Date (at such time so as to allow the proceeds to be disbursed to Seller on the Closing Date), Buyer shall deposit with Escrow Holder cash by means of a confirmed wire transfer through the Federal Reserve System or cashier's check in the amount

of the balance of the Purchase Price, plus Buyer's share of expenses and prorations as described in this Agreement.

2.4 Independent Contract Consideration. The sum of One Hundred Dollars ($100) (the "**Independent Consideration**") out of the Deposit is independent of any other consideration provided hereunder, shall be fully earned by Seller upon the Effective Date, and is not refundable to Buyer under any circumstances. Accordingly, if this Agreement is terminated for any reason by either party, the Independent Consideration shall be paid by the Escrow Holder to Seller. Independent Consideration shall be non-refundable under all circumstances and shall not be applied to the Purchase Price at Closing. Buyer and Seller expressly acknowledge and agree that the Independent Consideration, plus Buyer's agreement to pay the costs provided in this Agreement, has been bargained for as consideration for Seller's execution and delivery of this Agreement and for Buyer's review, inspection and termination rights during the Property Approval Period, and is adequate for such purpose.

3. Escrow and Title.

3.1 Opening of Escrow. Buyer and Seller shall promptly deliver a fully executed copy of this Agreement to Escrow Holder, and the date of Escrow Holder's receipt thereof is referred to as the "**Opening of Escrow**". Seller and Buyer shall execute and deliver to Escrow Holder any additional or supplementary instructions as may be necessary or convenient to implement the terms of this Agreement and close the transactions contemplated hereby, provided such instructions are consistent with and merely supplement this Agreement and shall not in any way modify, amend or supersede this Agreement. Such supplementary instructions, together with the escrow instructions set forth in this Agreement, as they may be amended from time to time by the parties, shall collectively be referred to as the "**Escrow Instructions**." The Escrow Instructions may be amended and supplemented by such standard terms and provisions as the Escrow Holder may request the parties hereto to execute; provided, however, that the parties hereto and Escrow Holder acknowledge and agree that in the event of a conflict between any provision of such standard terms and provisions supplied by the Escrow Holder and the Escrow Instructions, the Escrow Instructions shall prevail.

3.2 Close of Escrow/Closing. For purposes of this Agreement, (a) the closing of the transactions contemplated by this Agreement is referred to as the "**Close of Escrow**" or the "**Closing**", and (b) the "**Closing Date**" shall mean the earlier of (i) the date on which the "**Deed**" (as defined in Section 5.1.1 below) is recorded in the Official Records of the County where the Land is located (the "**Official Records**"), or (ii) the date on which the Purchase Price is disbursed by Escrow Holder to Seller pursuant to Section 6.7 below. Subject to satisfaction of the conditions to Closing set forth in this Agreement, the Close of Escrow shall occur on or before the Outside Closing Date set forth in Section 9 of the Summary of Basic Terms above. Notwithstanding the foregoing, during the term of this Agreement, Seller shall continue to process the development approvals that are necessary from the City of Sunnyvale for a permitted floor area ratio of up to eighty percent (80%) for the Site 2 Property so long as certain green building techniques more particularly described in such approval(s) are utilized, to the extent allowed for under any relevant specific plans and the city's zoning code; provided that Seller makes no representation or warranty as to whether such approvals can be obtained prior to the Outside Closing Date. In the event such approvals are not obtained prior to the Outside Closing Date, Seller shall work in good faith with Buyer to allow Buyer to continue to pursue such approvals following the Close of Escrow. Such obligation shall survive the Close of Escrow. Buyer's or Seller's failure to perform their respective obligations hereunder, including the timely delivery by Buyer of the balance of the Purchase Price, shall constitute a material and non-curable default by such party under this Agreement.

4. Contingencies; Conditions Precedent to the Close of Escrow.

4.1 Buyer's Review.

4.1.1 Delivery of Due Diligence Materials by Seller. To the extent within the immediate possession of Seller or Seller's property manager, Seller shall make available to Buyer and Buyer's representatives at Seller's offices, at the Property or on a diligence database established by Seller (the "**Diligence Database**"), for inspection and right to copy, at Buyer's expense, any environmental studies, soils studies, plans, specifications and other similar materials relating to the physical and environmental condition of the Property ("**Reports**"). Except as otherwise expressly set forth in this Agreement, Seller makes no representations or warranties regarding the accuracy of the Reports or that the Reports are complete copies of the same. Buyer acknowledges and understands that all such materials made available by Seller are only for Buyer's convenience in making its own examination and determination prior to the Contingency Deadline as to whether it wishes to purchase the Property, and, in so doing, Buyer shall rely exclusively upon its own independent investigation and evaluation of every aspect of the Property and not on any materials supplied by Seller.

Without limiting the generality of the foregoing, Seller shall also make available, in Seller's discretion, at Seller's offices, on the Diligence Database, or at the Property for review and copying, at Buyer's expense, the following due diligence items (together with the Reports, collectively, "**Due Diligence Items**") at any time after Opening of Escrow, to the extent in the immediate possession of Seller or Seller's property manager: (a) to the extent in the possession of Seller, any plans and specifications for the Property, (b) copies of all service contracts or service agreements relating to the maintenance and operation of the Property including the service contracts set forth on Exhibit "J" hereto (but expressly excluding any contracts Seller determines are "master contracts" affecting other properties in addition to the Property and which will not be assigned to Buyer at Closing) (collectively, the "**Contracts**"); (c) property tax bills for the last two (2) fiscal tax years and the property tax bill for the current year to the extent in the possession of Seller; and (d) any other documents described in Exhibit "M" attached hereto. Except as otherwise expressly set forth in this Agreement, Seller makes no representations regarding, and shall have no liability or responsibility with respect to, the accuracy or completeness of the information and/or materials included in the Due Diligence Items. Seller acknowledges Buyer may desire to discuss or otherwise inquire about matters related to the Property with various governmental entities and utilities and the other Due Diligence Items with tenants under the Leases and other third parties. In this regard, Buyer is permitted to contact all necessary third parties, and discuss with such third parties Due Diligence Items; provided, however, that (i): with respect to third parties that are not governmental entities, Seller is first given written (which may be electronic) notice or telephonic notice and a reasonable opportunity to be present at such contact or discussions at a time and location reasonably convenient to Seller, and (ii) with respect to third parties who are governmental entities, Seller shall meet with Buyer to understand the questions and concerns of Buyer that are best answered by such governmental entities and, to the extent that in Seller's good faith and commercially reasonable opinion such questions and/or concerns are appropriate subject matter for a conversation with a governmental entity, shall diligently seek to meet with the relevant governmental authorities and obtain answers or requested information from such authorities and relay the results thereof to Buyer (or Buyer's consultants with respect to matters such as the preparation of a Phase I Environmental Report).

Between the Effective Date and the Contingency Deadline (the "**Property Approval Period**"), Buyer shall have the right to review and investigate the Due Diligence Items, the physical and environmental condition of the Property, the character, quality, value and general utility of the Property, the zoning, land use, environmental and building requirements and restrictions applicable to the Property, the state of title to the Property, and any other factors or matters relevant to Buyer's decision to purchase the Property. Buyer, in Buyer's sole and absolute discretion, may determine whether or not the Property is acceptable to Buyer within the Property Approval Period and whether Buyer can secure appropriate financing thereon. Buyer shall provide Seller with at least one (1) business day's prior written notice of

its desire to enter upon the Real Property for inspection and/or testing and any such inspections or testing shall be conducted at a time and manner reasonably approved by Seller and to minimize disruption or interference with any tenants. Prior to conducting any inspection or testing, Buyer or its testing consultants, as applicable, shall deliver to Seller a certificate of insurance naming Seller as additional insured (on a primary, non-contributing basis) evidencing commercial general liability and property damage insurance with limits of not less than Two Million Dollars ($2,000,000) in the aggregate for liability coverage and not less than One Million Dollars ($1,000,000) in the aggregate for property damage. Notwithstanding the foregoing, Buyer shall not be permitted to undertake any air sampling or any intrusive or destructive testing of the Property, including a "Phase II" environmental assessment (collectively, the "**Intrusive Tests**"), without in each instance first (i) providing Seller with a detailed work plan identifying the applicable consultant and the type and specific locations of all proposed testing, and (ii) obtaining Seller's prior written consent thereto, which consent Seller may give or withhold in Seller's sole and absolute discretion (provided that such consent shall not be unreasonably withheld if the results of the Phase I Report, a copy of which Phase I Report shall have been delivered to Seller), recommends further testing). Seller, and its representatives, agents, and/or contractors shall have the right to be present during any entry on the Real Property by Buyer or its representatives or consultants or any such Intrusive Test. If Seller fails to advise Buyer of its disapproval of any proposed Intrusive Tests within such two (2) business day period, such failure shall be deemed Seller's disapproval thereof. All work and activities conducted on the Real Property by Buyer or its representatives, vendors or consultants pursuant to this Section 4.1.1 shall be conducted in accordance with applicable law. Buyer hereby indemnifies and holds Seller, the Seller Group (as defined below) and the Property harmless from any and all costs, loss, damages or expenses of any kind or nature arising out of or resulting from any entry and/or activities upon the Property by Buyer and/or Buyer's representatives, vendors and consultants; provided, however, such indemnification obligation shall not be applicable to Buyer's mere discovery of any adverse physical condition at the Property, except to the extent Buyer or its representatives, vendors or consultants aggravate such condition following the initial discovery of the same. Buyer's indemnification obligations under this Section 4.1.1 shall survive the Close of Escrow or any termination of this Agreement.

4.1.2 Termination. If Buyer fails to deliver written notice ("**Buyer's Disapproval Notice**") to Seller and Escrow Holder prior to the Contingency Deadline of Buyer's disapproval of the Property and termination of this Agreement, Buyer shall be deemed to have unconditionally approved the Property and shall have no further right to terminate this Agreement pursuant to this Section 4.

4.1.3 Due Diligence Materials. In the event Buyer does not purchase the Property for any reason, within five (5) days after the date this Agreement is terminated Buyer shall return to Seller all documents, information and other materials supplied by Seller to Buyer, and, at Seller's written request, without warranty or representation of any kind, any final, non-proprietary inspection reports, studies, surveys, and other reports and/or test results relating to the physical and environmental condition of the Property which were prepared by consultants retained by Buyer in contemplation of this Agreement.

4.2 Title and Survey.

4.2.1 Buyer hereby acknowledges and agrees that (i) the Title Company has delivered to Buyer prior to the Effective Date a preliminary title report for the Property dated as of December 7, 2015 under Title Order No. NCS-766998 (the "**PTR**") and copies of all underlying title documents described in the PTR. Buyer may obtain, at Buyer’s sole cost and expense, a survey (certified to include Seller) of the Property prepared by a licensed surveyor (the “**Survey**”). Buyer shall deliver a copy of any Survey to Seller and Title Company within three (3) business days after Buyer’s receipt

thereof. Buyer shall have until five (5) business days prior to the Contingency Deadline (the "**Interim Date**") to provide written notice (the "**Objection Notice**") to Seller of any matters shown by the PTR and/or the Survey which are not satisfactory to Buyer. If Seller and Escrow Holder have not received the Objection Notice from Buyer by the Interim Date, that shall be deemed Buyer's unconditional approval of the condition of title to the Property and the Survey. For the avoidance of doubt, in the event that Buyer fails to obtain the Survey, Buyer shall not be entitled to disapprove or object to any survey matters shown on any existing survey in the Objection Notice or otherwise, and such survey matters shall be deemed approved by Buyer if Buyer does not terminate this Agreement prior to the Contingency Deadline pursuant to Section 4.1.2 above. Except as provided in this Section 4.2, Seller shall have until the date which is two (2) business days prior to the Outside Closing Date to make such arrangements or take such steps as the parties shall mutually agree to satisfy Buyer's objection(s) set forth in the Objection Notice; provided, however, that, except with respect to liens secured by deeds of trust securing loans made to Seller, mechanics' liens relating to work authorized and contracted by Seller, judgment liens against Seller, and delinquent taxes (herein "**Monetary Liens**", which Seller agrees to have removed on or before the Outside Closing Date), Seller shall have no obligation whatsoever to expend or agree to expend any funds, to undertake or agree to undertake any obligations or otherwise to cure or agree to cure any of Buyer's objections in the Objection Notice. Within two (2) business days of receipt of the Objection Notice, Seller may, in its sole discretion, deliver written notice to Buyer and Escrow Holder identifying which disapproved items Seller shall undertake to cure or not cure ("**Seller's Response**"). If Seller does not deliver a Seller's Response within said two (2) business day period, Seller shall be deemed to have elected to not remove or otherwise cure any exceptions disapproved by Buyer. If Seller elects, or is deemed to have elected, not to remove or otherwise cure an exception disapproved in the Objection Notice, and Buyer does not terminate this Agreement prior to the Contingency Deadline pursuant to Section 4.1.2 above, Buyer shall be deemed to have approved Seller's Response (or, if applicable, Seller's deemed election to not remove or otherwise cure any exceptions disapproved by Buyer) and irrevocably waived its objection to any title and/or survey matters which Seller has not expressly undertaken to cure in Seller's Response. Except for Monetary Liens, all matters shown in the PTR and the Survey obtained by Buyer with respect to which Buyer fails to give an Objection Notice on or before the Interim Date shall be deemed to be approved by Buyer.

4.2.2 Notwithstanding anything to the contrary herein, Buyer may not object to any of the following title matters in the Objection Notice: (i) the preprinted standard exceptions in the PTR, (ii) the rights and interest of parties claiming under the Leases, (iii) non-delinquent real property taxes and special assessments, and (iv) zoning and other regulatory laws and ordinances affecting the Property (collectively, the "**Permitted Title Matters**"). Buyer hereby acknowledges and agrees that the owner's policy of title insurance that Buyer obtains from the Title Company insuring Buyer's title to the Property (the "**Title Policy**") may be subject to (a) the Permitted Title Matters, (b) any exceptions approved or deemed approved by Buyer pursuant to Section 4.2.1, (c) any exceptions arising from Buyer's actions, and (d) any matters which would be disclosed by an accurate survey or physical inspection of the Property. Buyer also acknowledges and agrees that if the Survey that Buyer obtains and delivers to the Title Company is not an ALTA survey acceptable to the Title Company for purposes of issuing an ALTA extended coverage owner's policy of title insurance, then the Title Company would issue or be committed to issue an ALTA extended coverage owner's policy of title insurance with a general survey exception. Buyer shall pay the additional premium for extended coverage in excess of a standard CLTA policy and any endorsements requested by Buyer.

4.2.3 If Seller delivers a Seller's Response to Buyer specifying that Seller elects to cure any one or more of the title or survey matters objected to by Buyer in the Objection Notice, and Seller is unable or unwilling to make such arrangements or take such steps to address such objections that Seller has elected to satisfy in the Seller's Response to Buyer's reasonable satisfaction on or prior to the date which is two (2) business days prior to the Outside Closing Date (the "**Cure Deadline**"), then

Buyer may (as its sole and exclusive remedy) terminate this Agreement by delivering written notice thereof to Seller within two (2) days following the Cure Deadline, in which event, the Deposit (less the Independent Consideration) will be returned to Buyer and, except for Buyer's indemnity and Buyer's and Seller's confidentiality obligations under this Agreement and any other obligations which expressly survive termination of this Agreement, the parties shall have no further rights or obligations to one another under this Agreement. If Buyer does not deliver such written notice of termination to Seller prior to the date which is two (2) days following the Cure Deadline, then the title and/or survey matters that Buyer objected to in the Objection Notice that Seller has elected to cure, and which Seller is subsequently unable or unwilling to cure, shall be deemed approved by Buyer and will be included as exceptions to the Title Policy. The foregoing shall not be applicable to Monetary Liens, which Seller is obligated to cure as a condition to Closing for Buyer's benefit.

4.3 Conditions Precedent to Buyer's Obligation to Close. Buyer's obligation to close the acquisition of the Property pursuant to this Agreement is subject to the satisfaction or waiver of the following conditions:

4.3.1 Seller's Performance. Seller shall have duly performed in all material respects each and every covenant of Seller hereunder, unless the failure or failures to perform in all material respects such covenants would not, in the aggregate, have a Material Adverse Effect (as defined in Section 18.9 below).

4.3.2 Accuracy of Representations and Warranties. On the Closing Date, all representations and warranties made by Seller in Section 11 shall be true and correct in all material respects as if made on and as of the Closing Date (subject to modifications permitted under this Agreement), unless the failure or failures of all such representations and warranties to be true and correct in all material respects would not, in the aggregate, have a Material Adverse Effect.

4.3.3 Title Policy. The irrevocable commitment of the Title Company to issue the Title Policy to Buyer subject only to the Permitted Title Exceptions upon payment of its regularly scheduled premiums therefor.

4.3.4 Tenant Bankruptcy. No tenant shall have filed for voluntary bankruptcy or be subject to an involuntary bankruptcy proceeding.

4.3.5 No Material Change. There shall be no change in the environment condition of the Property from that existing upon the expiration of the Contingency Deadline that would have a Material Adverse Effect.

4.3.6 Other Conditions. Any other condition set forth in this Agreement to Buyer's obligation to close has been satisfied by the applicable date.

Notwithstanding anything to the contrary herein, if any of the conditions set forth in this Section 4.3 has not been satisfied by the Outside Closing Date, Seller shall have the right, by delivering written notice to Buyer prior to 5:00 p.m. (Pacific time) on the Outside Closing Date, to extend the Outside Closing Date to April 22, 2016.

4.4 Failure of Conditions Precedent to Buyer's Obligations. Buyer's obligation to close the acquisition of the Property pursuant to this Agreement is subject to the satisfaction of the conditions precedent to such obligations for Buyer's benefit set forth in Section 4.3. If Buyer timely provides a Buyer's Disapproval Notice or if Buyer terminates this Agreement by notice to Seller because of the failure of the conditions precedent set forth in Section 4.3, then (a) Escrow Holder shall return the

Deposit (less the Independent Consideration) to Buyer (plus interest accrued on the Deposit only while held by Escrow Holder) in accordance with Buyer's written instructions within five (5) business days following Buyer's delivery of a written termination notice to Seller and Escrow Holder, (b) Seller and Buyer shall each pay one-half (1/2) of any escrow cancellation fees or charges, and (c) except for Buyer's indemnity and Buyer's and Seller's confidentiality obligations under this Agreement and any other obligations which expressly survive termination of this Agreement, the parties shall have no further rights or obligations to one another under this Agreement.

4.5 Conditions Precedent to Seller's Obligations.

4.5.1 The Close of Escrow and Seller's obligations with respect to the transactions contemplated by this Agreement are subject to the timely satisfaction or waiver of the following conditions: (i) Buyer shall have duly performed in all material respects each and every covenant of Buyer hereunder, and (ii) Buyer's representations and warranties set forth in this Agreement shall be true and correct in all material respects as of the Closing Date as if made on and as of the Closing Date. Without limitation of the foregoing, Buyer shall have timely delivered the Purchase Price pursuant to the provisions of Section 2 above.

4.5.2 In the event any of the conditions set forth in Section 4.5.1 have not been timely satisfied, Seller may elect to either (a) terminate this Agreement by delivery of written notice to Buyer and Escrow Holder (provided that the Deposit shall be refunded to Buyer), or (b) waive the applicable condition(s) and proceed to the Closing. If Seller terminates this Agreement pursuant to this Section 4.5.2, then (A) Seller and Buyer shall each pay one-half (1/2) of any escrow cancellation fees or charges, and (B) except for Buyer's indemnity and Buyer's and Seller's confidentiality obligations under this Agreement and any other obligations which expressly survive termination of this Agreement, the parties shall have no further rights or obligations to one another under this Agreement.

4.6 Effect of Closing or Termination. The Closing shall constitute conclusive evidence that Seller and Buyer have respectively waived any conditions which are not satisfied as of the Closing, and after Closing, neither Buyer nor Seller shall have any right to terminate this Agreement or rescind the purchase and sale of the Property by reason of the failure of any such condition, whether or not such failure was known to or discoverable prior to Closing.

4.7 Defective Condition Extension; Termination. The obligations of Seller under this Agreement are further subject to and contingent upon the following:

4.7.1 If Buyer requests and Seller permits, in accordance with Section 4.1.1, any air sampling or other environmental testing or investigation, or any other inspection that could materially alter the physical condition of the Property, other than a non-intrusive Phase I environmental inspection, and as a result of such testing, investigation or other inspection, Seller obtains knowledge of, or Buyer's inspection of the Property reveals, either (a) the presence of any Hazardous Substances (as defined in Section 10.1.2 of this Agreement) or the violation or potential violation of any Environmental Laws (as defined in Section 10.1.2 of this Agreement) or (b) any structural or other defect in the Improvements, whether or not in violation of any applicable law, ordinance, code, regulation or decree of any governmental authority having jurisdiction over the Property (collectively, a "**Defective Condition**"), which Seller, in its sole judgment, determines could constitute a potential liability to Seller after the Closing or should be remedied prior to the sale of the Property, Seller shall have the right upon written notice to Buyer on or before the scheduled Closing Date to extend the Outside Closing Date for the period of time necessary to evaluate the possibility of remediating the Defective Condition (not to exceed sixty (60) days) and, if Seller so elects, to complete such remediation at Seller's sole cost and expense. The

terms of this Section 4.7 are solely for the benefit of Seller and Buyer shall have no additional right or remedy hereunder as a result of the exercise by Seller of its rights under this Section 4.7.

5. Deliveries to Escrow Holder.

5.1 Seller's Deliveries. Seller hereby covenants and agrees to deliver or cause to be delivered to Escrow Holder at least one (1) business day prior to the Outside Closing Date the following funds, instruments and documents, the delivery of each of which shall be a condition to the Close of Escrow:

5.1.1 Deed. A Grant Deed (the "**Deed**") in the form of Exhibit "B" attached hereto, duly executed and acknowledged in recordable form by Seller, conveying Seller's interest in the Real Property and Improvements to Buyer;

5.1.2 Non-Foreign Certifications. Certificates duly executed by Seller in the forms of Exhibit "C-1" and "C-2" attached hereto (the "**Tax Certificates**");

5.1.3 Assignment of Leases. Two (2) counterparts of the Assignment of Leases in the form of Exhibit "D" attached hereto (the "**Lease Assignment**") duly executed by Seller, pursuant to which Seller shall assign to Buyer all of Seller's right, title and interest in, under and to the Leases;

5.1.4 Assignment of Contracts and Assumption Agreement. Two (2) counterparts of the Assignment of Contracts and Assumption Agreement in the form attached hereto as Exhibit "F" ("**Assignment of Contracts**"), duly executed by Seller, pursuant to which Seller shall assign to Buyer all of Seller's right, title and interest in, under and to the Contracts;

5.1.5 Bill of Sale. Two (2) counterparts of a Bill of Sale in the form attached hereto as Exhibit "G" ("**Bill of Sale**"), duly executed by Seller, conveying Seller's right, title and interest in and to the Personal Property;

5.1.6 General Assignment. Two (2) counterparts of a General Assignment in the form of Exhibit "H" attached hereto (the "**General Assignment**"), duly executed by Seller;

5.1.7 NetApp Leases. Two (2) counterparts of each Lease Agreement (individually, a "NetApp Lease" and collectively, the "NetApp Leases") duly executed by Seller, pursuant to which Seller, as tenant, shall lease back from Buyer, as landlord, the portions of the Real Property known as 1240 Crossman Avenue and 1299 Orleans Drive for a period of two (2) years (covered in a lease), 1260 Crossman Avenue for a period of one (1) year (covered in a lease) and 641 Baltic Avenue, 603-611 Baltic Avenue and 549 Baltic Avenue for a period of six (6) months (covered in a lease). The terms of the NetApp Leases shall, at a minimum, provide that Seller shall have no obligation to pay real property taxes for the Real Property leased pursuant to each such NetApp Lease for the first twelve (12) months of the term thereof, but shall pay such real property taxes thereafter (provided that Tenant's reimbursement obligation for its share of real property taxes for 1240 Crossman Avenue only shall not exceed $500,000), which real property taxes shall be prorated as of the date such NetApp Lease either expires or is terminated for any reason other than a default by Seller, as tenant, thereunder, together with such other terms as Seller and Buyer shall agree to prior to the Contingency Deadline;

5.1.8 Tenant Letter. A letter signed by Seller addressed to the tenants under the Leases advising such tenants of the sale of the Property to Buyer, the transfer of such tenant's security deposit (if any) to Buyer, and directing that all future rent payments and other charges under the Leases

be forwarded to Buyer at an address to be supplied by Buyer. Notwithstanding the foregoing, such letters shall not be delivered through escrow with Escrow Holder but shall be sent directly by Seller to the tenants promptly following the Closing; and

5.1.9 Proof of Authority. Such proof of Seller's authority and authorization to enter into this Agreement and the transactions contemplated hereby, and such proof of the power and authority of the individual(s) executing and/or delivering any instruments, documents or certificates on behalf of Seller to act for and bind Seller, as may be reasonably required by Title Company.

5.2 Buyer's Deliveries. Buyer hereby covenants and agrees to deliver or cause to be delivered to Escrow Holder at least one (1) business day prior to the Outside Closing Date (or on the Outside Closing Date with respect to the balance of the Purchase Price (but subject to the terms of Section 2.3 above)) the following funds, instruments and documents, the delivery of each of which shall be a condition to the Close of Escrow:

5.2.1 Buyer's Funds. The balance of the Purchase Price, and such additional funds, if any, necessary to comply with Buyer's obligations hereunder regarding prorations, credits, costs and expenses;

5.2.2 Lease Assignment. Two (2) counterparts of the Lease Assignment duly executed by Buyer;

5.2.3 Assignment of Contracts. Two (2) counterparts of an Assignment of Contracts duly executed by Buyer;

5.2.4 Bill of Sale. Two (2) counterparts of the Bill of Sale duly executed by Buyer;

5.2.5 General Assignment. Two (2) counterparts of the General Assignment duly executed by Buyer;

5.2.6 NetApp Leases. Two (2) counterparts of the NetApp Leases duly executed by Buyer; and

5.2.7 Proof of Authority. Such proof of Buyer's authority and authorization to enter into this Agreement and the transactions contemplated hereby, and such proof of the power and authority of the individual(s) executing and/or delivering any instruments, documents or certificates on behalf of Buyer to act for and bind Buyer, as may be reasonably required by Title Company.

6. Deliveries Upon Close of Escrow. Upon the Close of Escrow, Escrow Holder shall promptly undertake all of the following:

6.1 Tax Filings. The Title Company shall file the information return for the sale of the Property required by Section 6045 of the Internal Revenue Code of 1986, as amended, and the Income Tax Regulations thereunder;

6.2 Prorations. Prorate all matters referenced in Section 8 based upon the closing statement delivered into escrow with Escrow Holder signed by the parties;

6.3 Recording. Cause the Deed and any other documents which the parties hereto may mutually direct, to be recorded in the Official Records in the order mutually directed by the parties;

6.4 Buyer Funds. Disburse from funds deposited by Buyer with Escrow Holder towards payment of all items and costs (including the Purchase Price) chargeable to the account of Buyer pursuant hereto in payment of such items and costs and disburse the balance of such funds, if any, to Buyer;

6.5 Documents to Seller. Deliver to Seller one (1) set of originals of the Lease Assignment, the NetApp Leases, the Assignment of Contracts, the Bill of Sale and the General Assignment executed by Buyer and Seller and a conformed copy of the recorded Deed;

6.6 Documents to Buyer. Deliver to Buyer one (1) set of originals of the Tax Certificates, the Lease Assignment, the Leases, the NetApp Leases, Assignment of Contracts, Bill of Sale and General Assignment executed by Seller and, if applicable Buyer, a conformed copy of the recorded Deed, and, when issued, the Title Policy;

6.7 Seller Funds. Deduct all items chargeable to the account of Seller pursuant to Section 7. If, as the result of the net prorations and credits pursuant to Section 8, amounts are to be charged to the account of Seller, deduct the total amount of such charges (unless Seller elects to deposit additional funds for such items in escrow with Escrow Holder); and if amounts are to be credited to the account of Seller, disburse such amounts to Seller, or in accordance with Seller's instructions, at Close of Escrow. Disburse the Purchase Price (as adjusted in accordance with this Agreement) to Seller, or as otherwise directed by Seller, promptly upon the Close of Escrow in accordance with Seller's wire transfer instructions.

7. Costs and Expenses. Seller shall pay (i) that portion of the Title Policy premium for standard CLTA owner's coverage (without endorsements), (ii) all documentary transfer taxes assessed by the County, and (iii) the Escrow Holder's fee. In addition, Seller shall pay outside of Escrow all legal and professional fees and costs of attorneys and other consultants and agents retained by Seller. Buyer shall pay through Escrow (x) all document recording charges and, (y) the additional Title Policy premium for ALTA extended coverage and any title endorsements requested by Buyer. Buyer shall pay outside of Escrow all costs and expenses related to the Due Diligence Investigations, all charges for the Survey or any other survey, and all legal and professional fees and costs of attorneys and other consultants and agents retained by Buyer.

8. Prorations. The following prorations between Seller and Buyer shall be made by Escrow Holder computed as of the Closing Date as indicated below, in each instance, based on either the actual number of days in the year or, if applicable, the actual number of days in the calendar month, in which the Closing occurs.

8.1 Ad Valorem Taxes. All real estate taxes and assessments attributable to the Property will be prorated at Closing. Seller shall be charged with all such taxes up to, but not including, the Closing Date. If the applicable tax rate and assessments for the Property have not been established for the tax year in which Closing occurs, the proration of real estate taxes, and assessments will be based upon the rate and assessments for the preceding year plus two percent (2%) with a post-closing reconciliation when the actual tax bills are available. All taxes imposed because of a change of use of the Property after Closing will be paid by Buyer. Real property tax refunds and credits received after the Closing which are attributable to a fiscal tax year prior to the Closing shall belong to Seller (except to the extent such amounts must be refunded to the tenants under the Leases), and those which are attributable to the fiscal tax year in which the Closing occurs shall be prorated based upon the date of Closing.

8.2 Excise, Transfer and Sales Taxes. Buyer will be responsible for the payment of all excise, transfer and use taxes imposed with respect to the conveyance of any personal property

contemplated by this Agreement; provided that the parties agree that no value has been attributed to any personal property included in the sale.

8.3 Lease Rentals. All rents (including all accrued tax and operating expense pass-throughs), charges and revenue of any kind receivable from the Leases which are not delinquent as of the Closing will be prorated at Closing. Seller will receive all rents (including all accrued tax and operating expense pass-throughs), charges and other revenue of any kind receivable from the Leases up to, but not including, the Closing Date, and Buyer shall receive all such amounts from and after the Closing Date. No proration will be made with respect to any rents of any kind receivable from the Leases for any period before Closing which are delinquent. All amounts collected by Buyer subsequent to Closing relating to rents which are delinquent will be promptly remitted to Seller; provided, however, all rents received by Buyer from any specific tenant under a Lease after Closing will be applied first to the rental period under such Lease in which the Closing occurred, second to any current rental period under such Lease following the Closing and third to satisfy delinquent rental obligations under such Lease for any period before Closing not prorated at Closing. In no event shall Seller be permitted to contact any tenants regarding delinquent rents. All amounts paid to Seller subsequent to Closing relating to rents which are due and owing for the period prior to Closing shall solely belong to Seller. All amounts paid to Seller subsequent to Closing relating to rents which are due and owing for the period after Closing shall belong to Buyer. Notwithstanding the foregoing, if any of such operating expenses and other charges and expenses are payable by tenants under the Leases (collectively, the "**Tenant Charges**") on an estimated basis, then the Tenant Charges for the period of time in the calendar year prior to the Closing shall be reconciled against actual charges and expenses for such period, provided that such reconciliation shall not be performed until no later than one hundred twenty (120) days following the Closing Date (the "**Reconciliation Period**"). Upon request therefor by Buyer, Seller shall deliver to Buyer any written materials in Seller's immediate possession regarding any Tenant Charges incurred by Seller and/or charged to the tenants pursuant to the Leases prior to the Closing. In accordance with the terms of the Leases (and within the timeframes required thereunder). Buyer shall prepare such final reconciliation and forward the same to Seller for Seller's review and reasonable approval prior to sending the reconciliations to the tenants. If the final reconciliation shows that Seller owes tenants additional sums due to over-collection, Seller shall deliver such amount to Buyer within ten (10) days after receiving such final reconciliation from Buyer. If the final reconciliation (as reasonably approved by Seller as provided above) shows that Buyer owes Seller additional sums due to under-collection, Buyer shall pay such amount to Seller within ten (10) days after Buyer's receipt of the under-collected amounts from the tenants (which under-collected amounts Buyer shall use good faith efforts to collect in the ordinary course of business). Other than as set forth above, there shall not be any further reconciliation of such Tenant Charges after the final reconciliation thereof, the proration of such Tenant Charges pursuant to the final reconciliation being conclusively presumed to be accurate. After the final reconciliation of Tenant Charges is made by and between the parties, Buyer shall be solely liable and responsible to the tenants under the Leases for such reconciliation of Tenant Charges under the Leases. The foregoing covenants made by the parties with respect to the final reconciliation of the Tenant Charges shall survive the Closing.

8.4 Security Deposit. Buyer shall be credited and Seller shall be charged with the balance of the security deposit then held by Seller under the Leases. During the term of this Agreement, Seller shall not apply any security deposits without the prior written consent of Buyer. In the event that Seller holds any letters of credit as a tenant security deposit, then prior to the Closing Seller shall (i) execute and deliver to Escrow Holder such assignment and/or transfer documents as may be called for under such letters of credit for the transfer of such letters of credit to Buyer, and (ii) at Buyer's option, either deliver into escrow with Escrow Holder or deliver to Buyer, upon confirmation of the Closing, the originals of such letters of credit. Unless and until Seller delivers to Buyer either a fully executed assignment to Buyer of the beneficial interest under such letter of credit together with the letter of credit issuer's express written consent to such assignment or a full replacement for such letter of credit issued by

the letter of credit issuer directly in favor of Buyer, Seller agrees, upon Buyer's request for the benefit of Buyer, to draw down on the letter of credit for Buyer's benefit if an event occurs that entitles the "landlord" to draw down on any such letter of credit. Buyer shall be responsible for the amount of the transfer fee required under such letters of credit.

8.5 Operating Expenses. All utility service charges for electricity, heat and air conditioning service, other utilities, elevator maintenance, common area maintenance, taxes other than real estate taxes such as rental taxes, other expenses incurred in operating the Property that Seller customarily pays and that are not paid by tenants on an estimated or other basis, shall be prorated on an accrual basis so long as Seller has delivered written notice to Buyer at least five (5) business days prior to the Contingency Deadline of any such charges it intends to prorate. Seller shall pay all such expenses that accrue prior to the Close of Escrow and Buyer shall pay all such expenses accruing on the Close of Escrow and thereafter. Seller and Buyer shall obtain billings and meter readings as of the Close of Escrow (or shall make reasonable estimates of meter readings if same-day readings are not available) to aid in such prorations (if such utilities cannot be changed to Buyer's name on the Closing Date). Insurance or any other operating expense refunds and credits received after the Closing which are attributable to a time period prior to the Closing shall belong to Seller (unless same are required to be refunded to the tenants under the Leases), and those which are attributable to a time period in which the Closing occurs shall be prorated based upon the date of Closing.

8.6 Contracts. Amounts payable under the Contracts being assigned to Buyer shall be prorated on an accrual basis. Seller shall pay all amounts due thereunder which accrue prior to the Closing Date and Buyer shall pay all amounts accruing on the Closing Date and thereafter.

8.7 Leasing Costs. If the Closing occurs, (a) Seller shall be responsible and shall pay for the costs of tenant improvement work or allowances, and third-party leasing commissions (collectively, the "**Leasing Costs**"), relating to the initial term of those Leases executed prior to the Effective Date, and (b) Buyer shall be responsible and shall pay for the Leasing Costs relating to or arising from (i) the exercise by any tenant, after the Effective Date, of a renewal, expansion or extension option contained in any of the Leases executed prior to the Effective Date; and (ii) any New Leases, or modifications to Leases in effect as of the Effective Date, entered into after the Effective Date in accordance with the terms of Section 9.1 below. Any Leasing Costs which are the responsibility of Buyer which are paid by Seller prior to the Closing shall be reimbursed by Buyer to Seller at the Closing through escrow with Escrow Holder. If, on the Closing Date, there are any outstanding or unpaid Leasing Costs which are the responsibility of Seller as set forth herein, then on the Closing Buyer shall be entitled to a credit toward the payment of the Purchase Price at Closing in the amount of such unpaid Leasing Costs, and following the Closing, Buyer shall assume and be responsible for the payment of such Leasing Costs to the extent of such credit.

8.8 Prorations at Closing; Final Adjustment. At least two (2) business days prior to the Closing Date, the parties shall agree upon all of the prorations to be made and submit a statement to Escrow Holder setting forth the same. In the event that any prorations, apportionments or computations made under Section 8 through Section 8.7 shall require final adjustment, then the parties shall make the appropriate adjustments promptly when accurate information becomes available and either party hereto shall be entitled to an adjustment to correct the same, but in no event shall such final adjustment occur later than the end of the Reconciliation Period. Any corrected adjustment or proration shall be paid in cash to the party entitled thereto. The provisions of this Section 8.8 shall survive the Close of Escrow.

9. Covenants of Seller. Seller hereby covenants with Buyer, as follows:

9.1 Contracts. Between the Effective Date and the date which is three (3) business days prior to the expiration of the Property Approval Period, (i) Seller will keep Buyer informed of any new Contracts or Leases that are entered into by Seller or any amendments or modifications to the existing Contracts or Leases, which new Contracts or Leases or modifications will survive Closing or otherwise affect the use, operation or enjoyment of the Property after Closing (collectively, "**New Contracts**"), and (ii) Buyer shall have no right to object or consent to the terms or conditions of any such New Contracts or amendments or extensions thereto. Without limiting the generality of the foregoing, Seller will provide Buyer with copies of all New Contracts. Subsequent to the date which is three (3) business days prior to the expiration of the Property Approval Period, and continuing until the Closing (provided the Agreement has not been terminated), Seller will not enter into any New Contracts without Buyer's prior written consent, which consent may be withheld in Buyer's sole discretion, and which consent will be deemed to have been denied by Buyer if Buyer does not notify Seller in writing to the contrary within three (3) business days after Seller provides written notice to Buyer of such New Contract; provided, however, that Seller shall be entitled to enter into any New Contracts at any time, without Buyer's prior written consent, if such New Contracts are terminated by Seller prior to the Closing Date.

9.2 Operation in the Ordinary Course. Subject to Section 9.1 above, from the Effective Date until the Close of Escrow, Seller shall (i) operate and manage the Property in the ordinary course and consistent with Seller's past practices, and (ii) perform when due, and otherwise comply with, all of Seller's material obligations and duties under the Leases and the Contracts. None of the Personal Property shall be removed from the Real Property, unless replaced by unencumbered personal property of equal or greater utility and value. All Personal Property and Intangible Personal Property shall be conveyed to Buyer by Seller at the Close of Escrow free from any liens, encumbrances or security interests of any kind or nature other than all such matters that the Title Policy may be subject to as set forth in Section 4.2.2, including, without limitation, the Permitted Title Matters.

9.3 Tenant Estoppel Certificate. Seller shall use commercially reasonable efforts to receive estoppel certificates from all the tenants of the Real Property. As used in this Agreement, “commercially reasonable efforts” shall not include any obligation to institute or threaten legal proceedings, to declare or threaten to declare any person in default, to incur any liabilities, to expend any monies, or to cause any other person to do any of the foregoing. Each estoppel certificate shall be substantially in the form attached as Exhibit E (or if Seller, after using commercially reasonable efforts to obtain certificates in such form, is unable to obtain the same, then in the form, if any, prescribed in or permitted by the applicable Lease); provided, however, that any provisions of the applicable estoppel certificates respecting defaults, defenses, disputes, environmental matters, claims, offsets, credits, abatements, concessions and recaptures against rent and other charges may be limited to the actual knowledge of the applicable tenant. Buyer’s failure to object to any estoppel certificate (or any information or provision therein) by written notice to Seller given within five (5) business days after Buyer’s receipt thereof (but not later than the Closing Date) shall be deemed to constitute Buyer’s acceptance and approval thereof. If an estoppel certificate (or a combination of estoppel certificates) will have a Material Adverse Effect, then notwithstanding anything to the contrary herein, Buyer shall have the right to terminate the Agreement and receive a refund of the Deposit, in which event, neither party shall have any further rights or obligations hereunder except for those obligations that expressly survive termination. Notwithstanding anything herein to the contrary, Seller’s failure to obtain such estoppel certificates shall in no event be deemed a default by Seller hereunder or a failed condition that will entitle Buyer to terminate the Agreement and receive a refund of the Deposit, but in the event that Seller fails to obtain an estoppel certificate for any Lease on or before the Outside Closing Date then, subject to the limitations of Section 16.4 hereof, Seller shall indemnify Buyer and hold Buyer harmless from any and all costs, losses, damages or expenses of any kind or nature arising out of or resulting from any defaults

by Seller that exist pursuant to such Lease as of the Closing Date. Such indemnification obligation shall survive the Closing.

10. AS-IS Sale and Purchase. Buyer acknowledges, by its initials as set forth below, that the provisions of this Section 10 have been required by Seller as a material inducement to enter into the contemplated transactions, and the intent and effect of such provisions have been explained to Buyer by Buyer's counsel and have been understood and agreed to by Buyer.

10.1 Buyer's Acknowledgment. As a material inducement to Seller to enter into this Agreement and to convey the Property to Buyer, Buyer hereby acknowledges and agrees that:

10.1.1 AS-IS. Except as otherwise expressly set forth in this Agreement and in the documents delivered by Seller to Buyer at Closing, and subject to Seller's representation and warranties expressly set forth in this Agreement, Buyer is purchasing the Property in its existing condition, "AS-IS, WHERE-IS, WITH ALL FAULTS," and upon the Contingency Deadline has made or has waived all inspections and investigations of the Property and its vicinity which Buyer believes are necessary to protect its own interest in, and its contemplated use of, the Property.

/s/ DR
Buyer's Initials

10.1.2 No Representations. Other than the express representations and warranties of Seller contained in this Agreement and in the documents delivered by Seller to Buyer at the Closing, neither Seller, nor any person or entity acting by or on behalf of Seller, nor any direct or indirect partner, officer, director, member, manager, employee, agent, affiliate, successor or assign of Seller (collectively, the "**Seller Group**") has made any representation, warranty, inducement, promise, agreement, assurance or statement, oral or written, of any kind to Buyer upon which Buyer is relying, or in connection with which Buyer has made or will make any decisions concerning the Property or its vicinity including its use, condition, value, entitlements, condemnation actions (current or prospective), compliance with Governmental Regulations (defined below), existence or absence of Hazardous Substances, or the permissibility, feasibility, or convertibility of all or any portion of the Property for any particular use or purpose, including its present or future prospects for sale, lease, development, occupancy or suitability as security for financing. As used herein, the term "**Governmental Regulations**" means any laws (including Environmental Laws), ordinances, rules, requirements, resolutions, policy statements and regulations (including those relating to land use, subdivision, zoning, Hazardous Substances, occupational health and safety, handicapped access, water, earthquake hazard reduction, and building and fire codes) of any governmental or quasi-governmental body or agency claiming jurisdiction over the Property. As used in this Agreement, the following definitions shall apply: "**Environmental Laws**" shall mean all federal, state and local laws, ordinances, rules and regulations now or hereafter in force, as amended from time to time, and all federal and state court decisions, consent decrees and orders interpreting or enforcing any of the foregoing, in any way relating to or regulating human health or safety, or industrial hygiene or environmental conditions, or protection of the environment, or pollution or contamination of the air, soil, surface water or groundwater, and includes the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. § 9601, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. § 6901, et seq., and the Clean Water Act, 33 U.S.C. § 1251, et seq. "**Hazardous Substances**" shall mean any substance or material that is described as a toxic or hazardous substance, waste or material or a pollutant or contaminant, or words of similar import, in any of the Environmental Laws, and includes asbestos, petroleum (including crude oil or any fraction thereof, natural gas, natural gas liquids, liquefied natural gas, or synthetic gas usable for fuel, or any mixture thereof), petroleum-based products and petroleum additives and derived substances, lead-based paint,

mold, fungi or bacterial matter, polychlorinated biphenyls, urea formaldehyde, radon gas, radioactive matter, medical waste, and chemicals which may cause cancer or reproductive toxicity.

/s/ DR
Buyer's Initials

10.1.3 No Implied Warranties. Excluding any express representation or warranty set forth herein and in the documents delivered by Seller to Buyer at the Closing, Seller hereby specifically disclaims: (a) all warranties implied by law arising out of or with respect to the execution of this Agreement, any aspect or element of the Property, or the performance of Seller's obligations hereunder including all implied warranties of merchantability, habitability and/or fitness for a particular purpose; and (b) any warranty, guaranty or representation, oral or written, past, present or future, of, as to, or concerning (i) the nature and condition of the Property or other items conveyed hereunder, including the water, soil, and geology, the suitability thereof and of the Property or other items conveyed hereunder for any and all activities and uses which Buyer may elect to conduct thereon, the existence of any environmental hazards or conditions thereon (including to the presence of asbestos or other Hazardous Substances) or compliance with applicable Environmental Laws; (ii) the nature and extent of any right-of-way, lease, possession, lien, encumbrance, license, reservation, current or potential eminent domain proceedings, condition or otherwise; and (iii) the compliance of the Property or other items conveyed hereunder or its operation with any Governmental Regulations.

/s/ DR
Buyer's Initials

10.1.4 Information Supplied by Seller. Buyer specifically acknowledges and agrees that, except as expressly contained in this Agreement and in the documents delivered by Seller to Buyer at the Closing, Seller has made no representation or warranty of any nature concerning the accuracy or completeness of any documents delivered or made available for inspection by Seller to Buyer, including the Due Diligence Items and that Buyer has undertaken such inspections of the Property as Buyer deems necessary and appropriate and that Buyer is relying solely upon such investigations and not on any of the Due Diligence Items or any other information provided to Buyer by or on behalf of Seller. As to the Due Diligence Items, Buyer specifically acknowledges that they have been prepared by third parties with whom Buyer has no privity and Buyer acknowledges and agrees that no warranty or representation, express or implied, has been made, nor shall any be deemed to have been made, to Buyer with respect to any and all Due Diligence Items, either by the Seller Group or by any third parties that prepared the same.

/s/ DR
Buyer's Initials

10.1.5 Release. As of the Close of Escrow, Buyer and the Buyer Parties (as defined below) hereby (i) assume the risk of adverse matters, including adverse physical conditions, defects, construction defects, environmental, health, safety and welfare matters which may not have been revealed by Buyer’s investigation and evaluation of the Property, and (ii) fully and irrevocably release the Seller Group from any and all claims that Buyer and/or the Buyer Parties may have or thereafter acquire against the Seller Group for any cost, loss, liability, damage, expense, demand, action or cause of action ("**Claims**") arising from or related to any matter of any nature relating to, and the condition of, the Property, including any Claims arising in connection with any latent or patent construction defects, errors or omissions, compliance with law matters, Hazardous Substances and other environmental matters within, under or upon, or in the vicinity of the Property, any statutory or common law right Buyer may have to receive disclosures from Seller, including any disclosures as to the Property's location within

areas designated as subject to flooding, fire, seismic or earthquake risks by any federal, state or local entity, the need to obtain flood insurance, the certification of water heater bracing and/or the advisability of obtaining title insurance, or any other condition or circumstance affecting the Property, its financial viability, use or operation, or any portion thereof. This release includes Claims of which Buyer is presently unaware or which Buyer does not presently suspect to exist in its favor which, if known by Buyer, would materially affect Buyer's release of the Seller Group. In connection with the general release set forth in this Section 10.1.5, Buyer specifically waives the provisions of California Civil Code Section 1542, which provides as follows:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

/s/ DR
Buyer's Initials

Notwithstanding anything to the contrary set forth in this Section 10.1.5, the foregoing release is not intended to and does not cover (i) any claims arising from a breach of Seller's representations or warranties expressly set forth in this Agreement or in the documents delivered by Seller to Buyer at the Closing (ii) any other breach by Seller of an express obligation of Seller under this Agreement which by its terms survives the Close of Escrow, (iii) Seller’s indemnification obligations set forth in Section 9.3, or (iv) Seller’s fraud (herein collectively the "**Excluded Claims**").

10.1.6 California Specific Provisions.

(a) Section 25359.7 of the California Health and Safety Code requires owners of nonresidential property who know or have reasonable cause to believe that a release of Hazardous Substances have come to be located on or beneath real property to provide written notice of that condition to a buyer of said real property. There is a possibility that a release of Hazardous Substances may have come to be located on or beneath the Property. By Buyer's execution of this Agreement, Buyer (a) acknowledges Buyer's receipt of the foregoing notice given pursuant to Section 25359.7 of the California Health and Safety Code and that it is aware of the benefits conferred to Buyer by Section 1542 of the California Civil Code and the risks it assumes by any waiver of Buyer's benefits thereunder and (b) as of the Closing Date and after receiving advice of Buyer's legal counsel, waives any and all rights or remedies whatsoever, express, implied, statutory or by operation of law, Buyer may have against Seller, including remedies for actual damages under Section 25359.7 of the California Health and Safety Code, arising out of or resulting from any unknown, unforeseen or unanticipated presence or releases of Hazardous Substances or other hazardous materials from, on or about the Property.

(b) Buyer and Seller acknowledge that Seller is required to disclose if any of the Property lies within the following natural hazardous areas or zones: (i) a special flood hazard area (any type Zone "A" or "V") designated by the Federal Emergency Management Agency (Cal. Gov. Code § 8589.3); (ii) an area of potential flooding shown on a dam failure inundation map designated pursuant to California Government Code Section 8589.5 (Cal. Gov. Code § 8589.4); (iii) a very high fire hazard severity zone designated pursuant to California Government Code Section 51178 or 51179 (in which event the owner maintenance obligations of California Government Code Section 51182 would apply) (Cal. Gov. Code § 51183.5); (iv) a wildland area that may contain substantial forest fire

risks and hazards designated pursuant to California Public Resources Code Section 4125 (in which event (x) the Property owner would be subject to maintenance requirements of California Public Resources Code Section 4291 and (y) it would not be the State's responsibility to provide fire protection services to any building or structure located within the wildland area except, if applicable, pursuant to California Public Resources Code Section 4129 or pursuant to a cooperative agreement with a local agency for those purposes pursuant to California Public Resources Code Section 4142) (Cal. Pub. Resources Code § 4136); (v) an earthquake fault zone (Cal. Pub. Resources Code § 2621.9); or (vi) a seismic hazard zone (and, if applicable, whether a landslide zone or liquefaction zone) (Cal. Pub. Resources Code § 2694). As contemplated in California Civil Code Section 1103.2(b), if an earthquake fault zone, seismic hazard zone, very high fire hazard severity zone or wildland fire area map or accompanying information is not of sufficient accuracy of scale for the Natural Hazard Expert to determine if the Property is within the respective natural hazard zone, then for purposes of the disclosure the Property shall be considered to lie within such natural hazard zone. Buyer acknowledges and agrees that the written report prepared by the Natural Hazard Expert regarding the results of its examination fully and completely discharges Seller for errors or omission not within their personal knowledge and the Natural Hazard Expert shall be deemed to be an expert, dealing with matters within the scope of its expertise with respect to the examination and written report regarding the natural hazards referred to above. In no event shall Seller have any responsibility for matters not actually known to Seller. THESE HAZARDS MAY LIMIT THE BUYER'S ABILITY TO DEVELOP THE PROPERTY, TO OBTAIN INSURANCE, OR TO RECEIVE ASSISTANCE AFTER A DISASTER. THE MAPS ON WHICH THESE DISCLOSURES ARE BASED ON ESTIMATES WHERE NATURAL HAZARDS EXIST. THEY ARE NOT DEFINITIVE INDICATORS OF WHETHER OR NOT A PROPERTY WILL BE AFFECTED BY A NATURAL DISASTER. BUYER MAY WISH TO OBTAIN PROFESSIONAL ADVICE REGARDING THOSE HAZARDS AND OTHER HAZARDS THAT MAY AFFECT THE PROPERTY.

10.1.7 Survival. The provisions of this Section 10.1 shall survive the Close of Escrow.

11. Seller's Representations and Warranties. Subject at all times to (i) those matters, if any, disclosed in the Due Diligence Items or any other information delivered to Buyer, and (ii) all applicable provisions of this Agreement, Seller represents and warrants to Buyer as of the Effective Date as follows (provided that, each of the representations and warranties set forth herein is qualified to the extent of any applicable information or exception that is otherwise disclosed in another representation or warranty of Seller herein):

11.1 Formation; Authority. Seller is duly formed, validly existing, and in good standing under laws of the state of its formation. Seller has full power and authority to enter into this Agreement and to perform this Agreement. The execution, delivery and performance of this Agreement by Seller have been duly and validly authorized by all necessary action on the part of Seller and all required consents and approvals have been duly obtained. All requisite action has been taken by Seller in connection with the entering into of this Agreement and the instruments referenced herein and the consummation of the transactions contemplated hereby. The individual(s) executing this Agreement and the instruments referenced herein on behalf of Seller have the legal power, right and actual authority to bind Seller to the terms and conditions hereof and thereof.

11.2 Leases. Other than the Leases in effect as of the Effective Date, which are listed on Exhibit "I" hereto, Seller is not currently a party to any other leases, licenses or other similar occupancy agreements with respect to the leasing or occupancy of the Real Property. Seller has delivered true, correct and complete copies of each of the Leases. Seller has no actual knowledge of and has neither given nor received any written notice of default with respect to the Leases. Except as expressly stated in Exhibit "I", all leasing commissions due to brokers under the Leases, and all tenant improvement

obligations, concessions and other tenant inducements, have been fully paid and satisfied by Seller and no such commissions, obligations, concessions or inducements become payable in the future. Seller has collected and remitted security deposits in accordance with the Leases and applicable law.

11.3 Litigation. To Seller's knowledge, and except as otherwise disclosed in the Due Diligence Items or any other information delivered to Buyer, there is no litigation, arbitration or other legal or administrative suit, action, proceeding or investigation of any kind pending or threatened in writing against Seller relating to ownership or operation of the Real Property or any part thereof which is not covered by insurance, including any condemnation action relating to the Real Property or any part thereof.

11.4 Foreign Person. Seller is not a "foreign person" as defined in Section 1445 of the Internal Revenue Code of 1986, as amended, and the Income Tax Regulations thereunder.

11.5 No Bankruptcy. No petition in bankruptcy (voluntary or otherwise), attachment, execution proceeding, assignment for the benefit of creditors, or petition seeking reorganization or insolvency, arrangement or other action or proceeding under federal or state bankruptcy law is pending against or contemplated (or, to Seller’s actual knowledge, threatened) by or against Seller.

11.6 Contracts. Attached hereto as Exhibit “J” is a true, correct and complete list of all management, service, supply, repair and maintenance agreements, equipment leases and all other contracts and agreements (excluding the Leases) with respect to or affecting the Property as of the Effective Date and at Closing the contract list shall not include those Contracts being terminated pursuant to the provisions of this Agreement. True, correct and complete copies of all Contracts shall be provided to Buyer. Seller has no actual knowledge of and has neither given nor received any written notice of default with respect to any of the Contracts.

11.7 Hazardous Substances. Except as disclosed in the Due Diligence Items or any other information delivered to Buyer, Seller has not received written notice from any governmental entity alleging that Seller is in violation of any Environmental Laws.

11.8 Compliance With Laws. Seller has not received written notice from any governmental entity of any violations of any laws affecting or applicable to any or all of the Property.

11.9 Employees. There are no employees of Seller employed in connection with the use, management, maintenance or operation of the Property whose employment will continue after the Closing Date, except as is necessary to fulfill Seller’s obligations as tenant pursuant to the NetApp Leases.

11.10 Prohibited Person; Patriot Act Compliance. Neither Seller, nor any person controlling or controlled by Seller is a country, individual or entity named on a Government List, and the monies obtained in connection with this Agreement will not be used for any activities that contravene any applicable Anti-Money Laundering Laws (as hereinafter defined). Seller is not a person described by Section 1 of the Executive Order (No. 13,224) Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism, 66 Fed. Reg. 49,079 (September 24, 2001) and Seller has not engaged in any dealings or transactions or is otherwise associated with any such person. Neither Seller, nor any person controlling or controlled by Seller (A) is under investigation by any governmental authority for, or has been charged with, or convicted of, money laundering, drug trafficking, terrorist related activities, any crimes which in the United States would be predicate crimes to money laundering, or any violation of the Currency and Foreign Transactions Reporting Act of 1970 (otherwise known as the Bank Secrecy Act), the USA PATRIOT Act or any other United States law or

regulation governing money laundering, drug trafficking, terrorist-related activities or other money laundering predicate crimes (collectively, "**Anti-Money Laundering Laws**"); (B) has been assessed civil or criminal penalties under any Anti-Money Laundering Laws; or (C) has had any of its funds seized or forfeited in any action under any Anti-Money Laundering Laws.

11.11 No Additional Consents. No approval or consent is required from any person (including any partner, shareholder, member, creditor, investor or governmental body) for Seller to execute, deliver or perform this Agreement or the other instruments contemplated hereby or for Seller to consummate the transaction contemplated hereby.

11.12 Subsequent Changes. If Buyer has actual knowledge (as opposed to constructive or imputed knowledge), Buyer, as its sole remedy, shall have the option of either (i) waiving the breach of warranty or change, and proceeding with the Close of Escrow, or (ii) subject to the provisions in Section 11.12 below, terminating this Agreement in accordance with Section 4.4 and Section 11.12 below. Any such election shall be made by Buyer not later than five (5) business days from Buyer obtaining actual knowledge of such fact, provided that any election by Buyer to terminate shall not be effective unless Seller fails to cure such changed representation or warranty within thirty (30) days following the delivery of Buyer's termination notice. If Seller elects to cure any changed representation or warranty following a termination of this Agreement by Buyer, and the end of such 30-day cure period extends beyond the Outside Closing Date, then the Outside Closing Date shall be extended by two (2) business days following the end of such 30-day cure period. If Buyer does not so elect to terminate this Agreement pursuant to Section 4.4 and this Section 11.12, then Buyer shall be deemed to have elected to waive its right to terminate this Agreement pursuant to Section 4.4 and this Section 11.12, elected to acquire the Property on the terms set forth in this Agreement, and waived all remedies at law or in equity with respect to any representations or warranties resulting from the facts or circumstances that have actually become known to Buyer. In no event shall Seller be liable to Buyer for, or be deemed to be in default hereunder by reason of, any breach of Seller's representation or warranty which results from any change that (A) occurs between the Effective Date and the Closing Date and (B) (1) is permitted under the terms of this Agreement, (2) is beyond the reasonable control of Seller or (3) results from any act or omission of Buyer; provided, however, any breach of such Seller's representation or warranty in any material respect (other than those that are permitted under the terms of this Agreement) shall, if such breach has a Material Adverse Effect and does not result from any act or omission of Buyer, constitute the non-fulfillment of the condition set forth in Section 4.3.2 and Buyer may elect to terminate this Agreement pursuant to Section 4.4 and this Section 11.12.

11.13 Seller's Knowledge. Whenever phrases such as "**to Seller's knowledge**" or "**Seller has no knowledge**" or similar phrases are used in the foregoing representations and warranties, they will be deemed to refer exclusively to matters within the current actual (as opposed to constructive) knowledge of the Seller's Representative, which is the individual with Seller with the most knowledge of the Property. No duty of inquiry or investigation on the part of Seller or Seller's Representative will be required or implied by the making of any representation or warranty which is so limited to matters within Seller's actual knowledge, and in no event shall Seller's Representative have any personal liability therefor.

11.14 Survival. All of the covenants, representations and warranties of Seller set forth in this Agreement will survive Closing for a period of twelve (12) months after the Closing Date. No claim for a breach of any covenant, representation or warranty of Seller will be actionable or payable if (i) Buyer does not notify Seller in writing of such breach within said twelve (12) months and commence a "legal action" thereon within fourteen (14) months after the Closing Date, or (ii) the breach in question results from or is based on a condition, state of facts or other matter which was actually known to Buyer prior to Closing.

12. Buyer's Representations and Warranties. In addition to any express agreements of Buyer contained herein, the following constitute representations and warranties of Buyer:

12.1 Formation; Authority. Buyer is duly formed, validly existing and in good standing under the laws of the state of its formation. Buyer has full power and authority to enter into this Agreement and the instruments referenced herein, and to consummate the transactions contemplated hereby. All requisite action has been taken by Buyer in connection with the entering into of this Agreement and the instruments referenced herein, and the consummation of the transactions contemplated hereby. The individuals executing this Agreement and the instruments referenced herein on behalf of Buyer have the legal power, right and actual authority to bind Buyer to the terms and conditions hereof and thereof.

12.2 Prohibited Person; Patriot Act Compliance. Neither Buyer, nor any person controlling or controlled by Buyer, is a country, individual or entity named on a Government List, and the monies obtained in connection with this Agreement will not be used for any activities that contravene any applicable Anti-Money Laundering Laws (as hereinafter defined). Buyer is not a person described by Section 1 of the Executive Order (No. 13,224) Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism, 66 Fed. Reg. 49,079 (September 24, 2001) and Buyer has not engaged in any dealings or transactions or is otherwise associated with any such person. Neither Buyer, nor any person controlling or controlled by Buyer (A) is under investigation by any governmental authority for, or has been charged with, or convicted of, money laundering, drug trafficking, terrorist related activities, any crimes which in the United States would be predicate crimes to money laundering, or any violation of any Anti-Money Laundering Laws; (B) has been assessed civil or criminal penalties under any Anti-Money Laundering Laws; or (C) has had any of its funds seized or forfeited in any action under any Anti-Money Laundering Laws.

13. Casualty and Condemnation.

13.1 Casualty. In the event that prior to the Close of Escrow, the Property, or any portion thereof, is destroyed or materially damaged, Buyer shall accept the Real Property in its then condition and proceed with the consummation of the transaction contemplated by this Agreement; provided, however, that in the case of an Important Building (as defined below) only: (i) there shall be an abatement or reduction in the Purchase Price in the amount of the deductible for the applicable insurance coverage, and (ii) Seller shall assign to Buyer any insurance proceeds payable by reason of such damage or destruction, other than rental abatement/rent loss insurance attributable to the period of time prior to the Closing and the value of any of Seller's tenant improvements and personal property, which shall be retained by or paid to Seller. Seller shall not compromise, settle or adjust any claims to such proceeds without Buyer's prior written consent. As used herein, the term “Important Building” shall mean any of the following buildings: 1260 Crossman Avenue and 1240 Crossman Avenue.

13.2 Material Condemnation. In the event that prior to the Close of Escrow, all or any material portion of the Real Property is subject to a taking by a public or governmental authority, Buyer shall have the right, exercisable by giving written notice to Seller by no later than the earlier of (i) within ten (10) days after receiving written notice of such taking or (ii) two (2) business days prior to the Outside Closing Date, either (i) to terminate this Agreement, in which event the Deposit (less the Independent Consideration) and all interest accrued thereon shall be immediately returned to Buyer, any other money or documents in escrow with Escrow Holder shall be returned to the party depositing the same, and (ii) to accept the Real Property in its then condition, without a reduction in the Purchase Price, and to receive an assignment of all of Seller's rights to any condemnation award or proceeds payable by reason of such taking. If Buyer elects to proceed under clause (ii) above, Seller shall not compromise, settle or adjust any claims to such award without Buyer's prior written consent.

13.3 Non-Material Condemnation. In the event that prior to the Close of Escrow, any non-material portion of the Real Property is subject to a taking by any public or governmental authority, Buyer shall accept the Real Property in its then condition and proceed with the consummation of the transaction contemplated by this Agreement, in which event Buyer shall be entitled to an assignment of all of Seller's rights to any award or proceeds payable in connection with such taking. In the event of any such non-material taking, Seller shall not compromise, settle or adjust any claims to such award without Buyer's prior written consent.

13.4 Materiality Standard. For purposes of this Section 13, a taking of a portion of the Real Property shall be deemed to involve a material portion thereof if the amount of the condemnation award with respect to such taking shall exceed $1,000,000.00 with respect to any particular building (or the underlying land upon which the building sits), individually.

13.5 Notice of Casualty and Condemnation. Seller agrees to give Buyer prompt written notice of any taking of, proposed taking of, damage to or destruction of the Real Property.

14. Notices. All notices or other communications required or permitted hereunder shall be in writing, and shall be personally delivered (including by means of professional messenger service or reputable air express service utilizing receipts), and shall be deemed received upon the date of receipt thereof if received prior to 5:00 p.m. (Pacific time) of the recipient's business day, and if not so received, shall be deemed received upon the following business day (provided that with respect to Buyer's Objection Notice or Buyer's Disapproval Notice, the notice may be sent by facsimile and shall be deemed received on the day sent, if received prior to 5:00 p.m.)

To Seller: NetApp, Inc.,
495 East Java Drive
Sunnyvale, California 94089
Attn: Ms. Elisabeth Arslaner
Facsimile:________________

With copies to: Sheppard Mullin Richter & Hampton LLP
Four Embarcadero Center, 17th Floor
San Francisco, California 94111
Attn: Doug Van Gessel
Facsimile: (415) 434-3947

To Buyer: Google Inc.
1600 Amphitheatre Parkway
Mountain View, CA 94043
Attn: VP, Real Estate and Work Place Services

and

Google Inc.
1600 Amphitheatre Parkway
Mountain View, CA 94043
Attn: Legal Department/RE Matters

with a copy to: Natsis LLP
Allen Matkins Leck Gamble Mallory &1900 Main Street, 5th Floor
Irvine, California 92614-7321

Attn: Sandra A. Jacobson, Esq.
Facsimile: (949) 553-8354

To Escrow Holder: At Escrow Holder's Address set forth in the Summary of Basic Terms.

Notice of change of address shall be given by written notice in the manner detailed in this Section 14.

15. Broker Commissions. Seller represents and warrants to Buyer, and Buyer represents and warrants to Seller, that no broker or finder has been engaged in connection with any of the transactions contemplated by this Agreement, except for CBRE, who shall be paid by Buyer in accordance with Buyer's separate agreement with CBRE, Inc. In the event of any claims for brokers' or finders' fees or commissions in connection with the negotiation, execution or consummation of this Agreement, then as a covenant which shall survive the termination of this Agreement or the Close of Escrow, Buyer shall indemnify, save harmless and defend Seller from and against such claims if they shall be based upon any statement or representation or agreement by Buyer, and Seller shall indemnify, save harmless and defend Buyer if such claims shall be based upon any statement, representation or agreement made by Seller.

16. Default.

16.1 Default by Seller. In the event that Seller fails to perform any of the material covenants or agreements contained herein which are to be performed by Seller, Buyer may, at its option and as its exclusive remedy, either (i) terminate this Agreement by giving written notice of termination to Seller whereupon Escrow Holder will return to Buyer the Deposit (less the Independent Consideration), Seller shall reimburse Buyer for Buyer's Due Diligence Expenses, not to exceed One Hundred Thousand Dollars ($100,000.00), and both Buyer and Seller will be relieved of any further obligations or liabilities hereunder, except for those obligations which expressly survive any termination of this Agreement, or (ii) Buyer may seek specific performance of this Agreement; provided, however, that, (a) Buyer shall only be entitled to the remedy in subsection (ii) above, if (1) Buyer commences and files such specific performance action in the appropriate court not later than the earlier of (A) thirty (30) days following the Outside Closing Date or (B) sixty (60) days after Buyer becomes aware of the default by Seller, and (2) Buyer is not in default under this Agreement. Except as specifically set forth in this Section 16.1, Buyer does hereby specifically waive any right to pursue any other remedy at law or equity for such default of Seller, including any right to seek, claim or obtain damages, punitive damages, consequential damages or any other damages that would be predicated in whole or in part upon loss of bargains, opportunity lost or any loss of anticipated benefits incurred by Buyer. Buyer shall not be entitled to record a lien or lis pendens against the Property other than in connection and concurrently with the filing of such specific performance action. For the purposes of this Section 16.1, the term **"Buyer's Due Diligence Expenses"** shall mean Buyer's third party actual out-of-pocket expenses incurred by Buyer and paid (x) to Buyer's attorneys in connection with the negotiation of this Agreement, and (y) to unrelated and unaffiliated third party consultants in connection with the performance of examinations, inspection and/or investigations of the Real Property.

16.2 Default by Buyer. IN THE EVENT THE BUYER FAILS TO CLOSE OF ESCROW IN ACCORDANCE WITH THE TERMS OF THIS AGREEMENT BY REASON OF ANY DEFAULT OF BUYER, BUYER AND SELLER AGREE THAT IT WOULD BE IMPRACTICAL AND EXTREMELY DIFFICULT TO ESTIMATE THE DAMAGES WHICH SELLER MAY SUFFER. THEREFORE BUYER AND SELLER DO HEREBY AGREE THAT A REASONABLE ESTIMATE OF THE TOTAL NET DETRIMENT THAT SELLER WOULD SUFFER IN THE EVENT THAT BUYER DEFAULTS AND FAILS TO COMPLETE THE PURCHASE OF THE PROPERTY IS AND SHALL BE AN AMOUNT EQUAL TO THE DEPOSIT, TOGETHER WITH THE ACCRUED

INTEREST THEREON; AND, AS SELLER'S SOLE AND EXCLUSIVE REMEDY (WHETHER AT LAW OR IN EQUITY) FOR BUYER'S BREACH OF ITS OBLIGATION TO CLOSE ESCROW AND PURCHASE THE PROPERTY, SAID AMOUNT SHALL BE DISBURSED TO SELLER AS THE FULL, AGREED AND LIQUIDATED DAMAGES FOR A BREACH OF THIS AGREEMENT BY BUYER WHICH RESULTS IN THE CLOSE OF ESCROW NOT OCCURRING. SUCH PAYMENT OF THE DEPOSIT IS NOT INTENDED AS A PENALTY, BUT AS FULL LIQUIDATED DAMAGES FOR SUCH BREACH. NOTHING CONTAINED IN THIS SECTION 16.2 SHALL LIMIT SELLER'S RIGHT TO RECEIVE REIMBURSEMENT FOR COSTS AND EXPENSES PURSUANT TO SECTION 18.5 BELOW, NOR WAIVE OR AFFECT BUYER'S INDEMNITY AND CONFIDENTIALITY OBLIGATIONS.

/s/ JKB /s/ DR
SELLER'S INITIALS BUYER'S INITIALS

16.3 Indemnities; Defaults after Closing or Termination. The limitations on the parties' remedies set forth in Sections 16.1 and 16.2 will not be deemed to prohibit either party from (i) specifically seeking indemnification from the other for any matter with respect to which such other party has agreed hereunder to provide indemnification or from seeking damages from such other party in the event it fails or refuses to provide such indemnification; (ii) subject to the terms, conditions and limitations of this Agreement, seeking damages incurred during the period of time after Closing that a representation or warranty given as of the Closing Date by the other party hereunder survives Closing, for the other party's breach of such representation or warranty discovered after such Closing; or (iii) subject to the terms, conditions and limitations of this Agreement seeking damages or such equitable relief as may be available for the other party's failure to perform after any termination of this Agreement any obligation hereunder which expressly survives such termination; provided, however, that in no event whatsoever will either party be entitled to recover from the other any punitive, consequential or speculative damages.

/s/ JKB /s/ DR
SELLER'S INITIALS BUYER'S INITIALS

16.4 Limited Liability. Notwithstanding anything to the contrary herein, Buyer on its own behalf and on behalf of its agents, members, partners, employees, representatives, officers, directors, agents, related and affiliated entities, successors and assigns (collectively, the "**Buyer Parties**") hereby agrees that in no event or circumstance shall any of the members, partners, employees, representatives, officers, directors, agents, property management company, affiliated or related entities of Seller, Seller Group or Seller's property management company have any personal liability under this Agreement. Notwithstanding anything to the contrary contained in this Agreement: (a) the maximum aggregate liability of Seller, and the maximum aggregate amount which may be awarded to and collected by Buyer (including for any breach of any representation, warranty and/or covenant of Seller) under this Agreement or any documents executed pursuant hereto (excluding the NetApp Leases) or in connection herewith, including the Exhibits attached hereto (collectively, the "**Other Documents**") shall, under no circumstances whatsoever, exceed One Percent (1%) of the Purchase Price (the "**CAP Amount**") in the aggregate; and (b) no claim by Buyer alleging a breach by Seller of any representation, warranty and/or covenant of Seller contained herein or any of the Other Documents (excluding the NetApp Leases) may be made, and Seller shall not be liable for any judgment in any action based upon any such claim, unless and until such claim, either alone or together with any other claims by Buyer alleging a breach by Seller of any such representation, warranty and/or covenant, is for an aggregate amount in excess of One Hundred Thousand Dollars ($100,000.00) (the "**Floor Amount**"), in which event Seller's liability

respecting any final judgment concerning such claim or claims shall only be for the amount (if any) in excess of the Floor Amount, subject to the CAP Amount set forth in clause (a) above.

17. Assignment. Buyer may not assign, transfer or convey its rights and obligations under this Agreement or in the Property without the prior written consent of Seller, which consent may be given or withheld in Seller’s sole discretion, and no such approved assignment shall relieve Buyer from its liability under this Agreement until Buyer's assignee has fully performed all of Buyer's obligations hereunder and Close of Escrow has occurred, at which time Buyer shall be released from any further obligations or responsibilities under this Agreement, except for those obligations or responsibilities which specifically survive the Close of Escrow. Notwithstanding the foregoing, Seller consents in advance to an assignment by Buyer to any entity controlling, controlled by, or under common control with Buyer, so long as: (i) no such assignment shall be deemed to relieve Buyer from its liability under this Agreement as provided above, and (ii) Buyer shall deliver written notice to Seller of any such assignment at least five (5) business days in advance of the Closing Date. Any assignee shall assume all of Buyer's obligations hereunder and succeed to all of Buyer's rights and remedies hereunder and any assignment and assumption must be in writing and delivered to Seller at least five (5) business days prior to the Closing Date.

18. Miscellaneous.

18.1 Governing Law. The parties hereto expressly agree that this Agreement shall be governed by, interpreted under, and construed and enforced in accordance with the laws of the State of California.

18.2 Partial Invalidity. If any term or provision or portion thereof of this Agreement or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Agreement, or the application of such term or provision or portion thereof to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each such term and provision of this Agreement shall be valid and be enforced to the fullest extent permitted by law.

18.3 Waivers. No waiver of any breach of any covenant or provision herein contained shall be deemed a waiver of any preceding or succeeding breach thereof, or of any other covenant or provision herein contained. No extension of time for performance of any obligation or act shall be deemed an extension of the time for performance of any other obligation or act.

18.4 Successors and Assigns. Subject to the provisions of Section 17, this Agreement shall be binding upon and shall inure to the benefit of the successors and assigns of the parties hereto.

18.5 Professional Fees. In the event of the bringing of any action or suit by a party hereto against another party hereunder by reason of any breach of any of the covenants, agreements or provisions on the part of the other party arising out of this Agreement, then in that event the prevailing party shall be entitled to have and recover of and from the other party all costs and expenses of the action or suit and any appeals therefrom, and enforcement of any judgment in connection therewith, including actual attorneys' fees, accounting and engineering fees, and any other professional fees resulting therefrom.

18.6 Entire Agreement. This Agreement (including all Exhibits attached hereto), together with the NDA dated January 5, 2016 is the final expression of, and contains the entire agreement between, the parties with respect to the subject matter hereof and supersedes all prior understandings with respect thereto. This Agreement may not be modified, changed, supplemented or terminated, nor may

any obligations hereunder be waived, except by written instrument signed by the party to be charged or by its agent duly authorized in writing or as otherwise expressly permitted herein. This Agreement may be executed in one or more counterparts, each of which shall be an original, and all of which together shall constitute a single instrument. A party may deliver executed signature pages to this Agreement by facsimile or electronic (portable data format) transmission to the other party, which facsimile or electronic copies shall be deemed to be original executed signature pages binding on the party that so delivered the executed signature pages by facsimile or electronic transmission. The parties do not intend to confer any benefit hereunder on any person, firm or corporation other than the parties hereto.

18.7 Time of Essence/Business Days. Seller and Buyer hereby acknowledge and agree that time is strictly of the essence with respect to each and every term, condition, obligation and provision hereof and that failure to timely perform any of the terms, conditions, obligations or provisions hereof by either party shall constitute a material breach of and a non-curable (but waivable) default under this Agreement by the party so failing to perform. Unless the context otherwise requires, all periods terminating on a given day, period of days, or date shall terminate at 5:00 p.m. (Pacific time) on such date or dates, and references to "days" shall refer to calendar days except if such references are to "business days" which shall refer to days which are not Saturday, Sunday or a legal holiday. Notwithstanding the foregoing, if any period terminates on a Saturday, Sunday or a legal holiday, under the laws of the State of California, the termination of such period shall be on the next succeeding business day.

18.8 Construction. Headings at the beginning of each paragraph and subparagraph are solely for the convenience of the parties and are not a part of this Agreement. Whenever required by the context of this Agreement, the singular shall include the plural and the masculine shall include the feminine and vice versa. The terms “include”, “includes”, “including” and words of similar import shall be deemed in all cases to be followed by “without limitation”. This Agreement shall not be construed as if it had been prepared by one of the parties, but rather as if both parties had prepared the same. Unless otherwise indicated, all references to sections are to this Agreement. All exhibits referred to in this Agreement are attached and incorporated by this reference. In the event the date on which Buyer or Seller is required to take any action under the terms of this Agreement is not a business day, the action shall be taken on the next succeeding business day.

18.9 Material Adverse Effect. For purposes of this Agreement, the term "**Material Adverse Effect**" shall mean an effect, event, development or change that, individually or in the aggregate with all other effects, events, developments or changes, is materially adverse to the business, results of operations or financial condition of the Property, taken as a whole, regardless of whether the use of such term is only in respect of a single matter, such as in Section 4.3.2 and taking into consideration the fact that it is Buyer’s intent to demolish all of the Improvements other than the Important Buildings on the Land and build new structures thereon for Buyer’s own use and not for the lease thereof to others; provided, that none of the following shall be included in determining whether a Material Adverse Effect has occurred: (a) changes in conditions in the U.S. or global economy or capital or financial markets generally, including changes in interest or exchange rates, (b) changes in general legal, tax, regulatory, political or business conditions that, in each case, generally affect the geographic region in which the Property is located or the commercial real estate industry (unless, and only to the extent, such effect, event, development or change affects the Property in a disproportionate manner as compared to other properties in such geographic region affected by such effect, event, development or change), (c) changes in GAAP, (d) the negotiation, execution, announcement or performance of this Agreement or the transactions contemplated hereby or the consummation of the transactions contemplated by this Agreement, including the impact thereof on relationships, contractual or otherwise, with tenants, suppliers, lenders, investors, venture partners or employees, (e) acts of war, armed hostilities, sabotage or terrorism, or any escalation or worsening of any such acts of war, armed hostilities, sabotage or terrorism

threatened or underway as of the date of this Agreement (unless, and only to the extent, such effect, event, development or change affects the Property in a disproportionate manner as compared to other properties in the geographic regions affected by such effect, event, development or change), (f) earthquakes, hurricanes or other natural disasters (unless, and only to the extent, such effect, event, development or change affects the Property in a disproportionate manner as compared to other properties in such geographic region affected by such effect, event, development or change), or (g) any action taken by Seller at the request, or with the prior written consent, of Buyer.

19. Intentionally Deleted.

20. Exchange. Upon the request of a party hereto (the "**Requesting Party**"), the other party (the "**Cooperating Party**") shall cooperate with the Requesting Party in Closing the sale of the Property in accordance with this Agreement so as to qualify such transaction as an exchange of like-kind property; provided, however, the Cooperating Party shall not be required to take title to any exchange property and the Cooperating Party will not be required to agree to or assume any covenant, obligation or liability in connection therewith, the Closing hereunder shall not be delayed as a result of, or conditioned upon, such exchange, the Requesting Party shall pay all costs associated with such exchange, and the Requesting Party shall remain primarily liable under this Agreement and indemnify the Cooperating Party from any liability in connection with such exchange.

21. Confidentiality. Buyer agrees that, (a) except as otherwise provided or required by valid law, (b) except to the extent Buyer considers such documents or information reasonably necessary to prosecute and/or defend any claim made with respect to the Property or this Agreement, and (c) except to the extent reasonably necessary to deliver such documents or information to Buyer's employees, paralegals, attorneys and/or consultants in connection with Buyer's evaluation of this transaction, (i) Buyer, Buyer Parties and Buyer's agents and consultants (collectively, the "**Buyer's Representatives**"), shall keep the contents of any materials, reports, documents, data, test results, and other information related to the transaction contemplated hereby, including the Due Diligence Items and all information regarding Buyer's acquisition or ownership of the Property confidential, (ii) Buyer and Buyer's Representatives shall keep and maintain the contents of this Agreement, including the amount of consideration being paid by Buyer for the Property confidential, and (iii) Buyer and Buyer's Representatives shall refrain from generating or participating in any publicity or press release regarding this transaction without the prior written consent of Seller. Buyer acknowledges that significant portions of the Due Diligence Items are proprietary in nature and that Seller would suffer significant and irreparable harm in the event of the misuse or disclosure of the Due Diligence Items. Without affecting any other rights or remedies that either party may have, Buyer acknowledges and agrees that Seller shall be entitled to seek the remedies of injunction, specific performance and other equitable relief for any breach, threatened breach or anticipatory breach of the provisions of this Section 21 by Buyer or any of Buyer's Representatives. The provisions of this Section 21 shall survive any termination of this Agreement but shall not survive the Closing except for Buyer's covenants in clauses (ii) and (iii) hereof which covenants shall survive the Closing.

[REMAINDER OF PAGE LEFT BLANK INTENTIONALLY]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the Effective Date.

"SELLER" NETAPP, INC.,
a Delaware corporation

By: /s/ Jeffrey K. Bergmann
Name: Jeffrey K. Bergmann
Title: Interim CFO

"BUYER" GOOGLE INC.,
a Delaware corporation

By: /s/ David Radcliffe
Name: David Radcliffe
Title: VP, Real Estate

JOINDER BY ESCROW HOLDER

Escrow Holder (as defined in Section 7 of Article I above) hereby (a) acknowledges that it has received this Agreement executed by the Seller and Buyer and accepts the obligations of and instructions for the Escrow Holder set forth herein, and (b) agrees to disburse and/or handle the Deposit, the Purchase Price and all closing documents in accordance with this Agreement.

Dated: _________, 2016

"ESCROW HOLDER"

FIRST AMERICAN TITLE INSURANCE COMPANY

By:
Name:
Title:

EXHIBIT "A"

LEGAL DESCRIPTION

All that certain Real Property in the City of Sunnyvale, County of Santa Clara, State of California, described as follows:

PARCEL ONE:

ALL OF PARCEL 1 AS SHOWN UPON THAT CERTAIN MAP ENTITLED, "PARCEL MAP BEING A RESUBDIVISION OF PARCEL 6 AS SHOWN ON MAP RECORDED IN BOOK 214 OF MAPS, AT PAGE 23, SANTA CLARA COUNTY RECORDS", WHICH MAP WAS FILED FOR RECORD IN THE OFFICE OF THE RECORDER OF THE COUNTY OF SANTA CLARA, STATE OF CALIFORNIA ON MARCH 1, 1978 IN BOOK 413, AT PAGE 53.

PARCEL TWO:

ALL OF PARCEL A, AS SHOWN UPON THAT CERTAIN MAP ENTITLED, "PARCEL MAP BEING A RESUBDIVISION OF PARCELS 2 AND 3, AS SHOWN ON THAT CERTAIN MAP RECORDED MARCH 1, 1978 IN BOOK 413 OF MAPS, AT PAGE 53, SANTA CLARA COUNTY RECORDS", WHICH MAP WAS FILED FOR RECORD IN THE OFFICE OF THE RECORDER OF THE COUNTY OF SANTA CLARA, STATE OF CALIFORNIA ON AUGUST 21, 1979 IN BOOK 448 OF MAPS, AT PAGES 18 AND 19.

PARCEL THREE:

ALL OF PARCEL 1 AS SHOWN UPON THAT CERTAIN MAP ENTITLED, "PARCEL MAP BEING A RESUBDIVISION OF PARCEL A AS SHOWN ON MAP RECORDED IN BOOK 431 OF MAPS, AT PAGE 32, SANTA CLARA COUNTY RECORDS", WHICH MAP WAS FILED FOR RECORD IN THE OFFICE OF THE RECORDER OF THE COUNTY OF SANTA CLARA, STATE OF CALIFORNIA, ON MARCH 08, 1979 IN BOOK 437 OF MAPS, AT PAGE 9.

PARCEL FOUR:

ALL OF PARCEL 2, AS SHOWN UPON THAT CERTAIN MAP ENTITLED, "PARCEL MAP BEING A RESUBDIVISION OF PARCEL A, AS SHOWN ON MAP RECORDED IN BOOK 431 OF MAPS AT PAGE 32, SANTA CLARA COUNTY RECORDS," WHICH MAP WAS FILED FOR RECORD IN THE OFFICE OF THE RECORDER OF THE COUNTY OF SANTA CLARA, STATE OF CALIFORNIA, ON MARCH 08, 1979 IN BOOK 437 OF MAPS, AT PAGE 9.

PARCEL FIVE:

ALL OF PARCEL 1, AS SHOWN UPON THAT CERTAIN MAP ENTITLED, "PARCEL MAP LYING WITHIN THE CITY OF SUNNYVALE, BEING A RESUBDIVISION OF PARCEL 5, AS SHOWN ON MAP RECORDED IN BOOK 413 OF MAPS, AT PAGE 53, SANTA CLARA COUNTY RECORDS, CITY OF SUNNYVALE, SANTA CLARA COUNTY, CALIFORNIA," WHICH MAP WAS FILED FOR RECORDED IN THE OFFICE OF THE RECORDER OF THE COUNTY OF SANTA CLARA, STATE OF CALIFORNIA ON JULY 18, 1978 IN BOOK 423 OF MAPS, AT PAGE 13.

EXCEPTING THEREFROM THE FOLLOWING DESCRIBED PROPERTY GRANTED TO THE SANTA CLARA COUNTY TRANSIT DISTRICT MARCH 28, 1997 UNDER SERIES NO. 13654560:

ALL OF THAT CERTAIN REAL PROPERTY SITUATED IN THE CITY OF SUNNYVALE, COUNTY OF

SANTA CLARA, STATE OF CALIFORNIA, AND BEING A PORTION OF PARCEL 1, AS SAID PARCEL 1 IS SHOWN ON THAT CERTAIN PARCEL MAP FILED IN BOOK 423 OF MAPS, PAGES 13, RECORDS OF SANTA CLARA COUNTY, CALIFORNIA, AND MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE POINT OF INTERSECTION OF THE CENTERLINES OF FAIR OAKS AVENUE AND CROSSMAN ROAD, AS SAID AVENUE AND ROAD ARE SHOWN ON SAID PARCEL MAP; THENCE NORTHERLY ALONG SAID CENTERLINE OF CROSSMAN ROAD NORTH 18° 37' 09" EAST

82.70 FEET; THENCE EASTERLY AT RIGHT ANGLE FROM SAID CENTERLINE OF CROSSMAN ROAD 71° 22' 51" EAST 54.89 FEET TO A POINT ON A CURVE ON THE EASTERLY LINE OF SAID CROSSMAN ROAD; THENCE FROM A TANGENT BEARING OF SOUTH 9° 32' 30" WEST ALONG SAID EASTERLY LINE OF CROSSMAN ROAD AND ALONG SAID CURVE CONCAVE EASTERLY WITH A RADIUS OF 108.99 FEET THROUGH A CENTRAL ANGLE OF 11° 34' 01" AND AN ARC LENGTH OF 22.00 FEET TO THE TRUE POINT OF BEGINNING OF THIS DESCRIPTION; THENCE CONTINUING SOUTHERLY AND SOUTHEASTERLY ALONG SAID EASTERLY LINE OF CROSSMAN ROAD THE FOLLOWING FOUR (4) DESCRIBED COURSES: (1) CONTINUING ALONG SAID CURVE (FROM A TANGENT BEARING OF SOUTH 2° 01' 41" EAST) CONCAVE EASTERLY WITH A RADIUS OF 108.99 FEET THROUGH A CENTRAL ANGLE OF 23° 25' 59" AN ARC LENGTH OF 44.58 FEET:

(2) SOUTH 25° 27' 40" EAST 79.86 FEET TO A CURVE; (3) SOUTHEASTERLY ALONG SAID CURVE CONCAVE NORTHEASTERLY WITH A RADIUS OF 108.99 FEET, THROUGH A CENTRAL ANGLE OF 9° 00' 00" AND AN ARC LENGTH OF 17.12 FEET: (4) SOUTH 34° 27' 40" EAST 23.31 FEET TO THE NORTHEASTERLY LINE OF SAID FAIR OAKS AVENUE; THENCE SOUTHEASTERLY ALONG SAID NORTHEASTERLY LINE OF FAIR OAKS AVENUE SOUTH 50° 50' 59" EAST 139.04 FEET; THENCE LEAVING SAID NORTHEASTERLY LINE OF FAIR OAKS AVENUE NORTH 34° 36' 17" WEST 57.40 FEET; THENCE NORTH 50° 50' 13" WEST 32.20 FEET; THENCE NORTH 34° 36' 17" WEST 205.73 FEET TO THE TRUE POINT OF BEGINNING.

APN: 110-36-007 (Affects Parcel Three), 110-36-008 (Affects Parcel Four), 110-36-014 (Affects Parcel One), 110-36-015 (Affects Parcel Two) and 110-36-020 (Affects Parcel Five)

EXHIBIT "B"

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

(Above Space For Recorder's Use Only)

GRANT DEED

THE UNDERSIGNED GRANTOR(s) DECLARE(s):
DOCUMENTARY TRANSFER TAX is $ ___________________. CITY TAX $ ___________________.
Computed on full value of property conveyed, or
Computed on full value less value of liens or encumbrances remaining at time of sale,
Unincorporated area: City of _________________________________.

FOR VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, NETAPP, INC., a Delaware corporation, hereby GRANTS to GOOGLE INC., a Delaware corporation, that certain real property which is more particularly described on Exhibit "A" which is attached hereto.

Subject to:

1. Non-delinquent taxes and assessments;

2. All other covenants, conditions, and restrictions, reservations, rights, rights of way, easements and title matters of record or visible from an inspection of the property or which an accurate survey of the property would disclose.

Dated: __________, 2016NETAPP, INC.,
a Delaware corporation

By:
Name:
Title:

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of)

On ____________________, before me, ____________________________, a Notary Public, personally appeared _______________________________, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature

____

EXHIBIT "C-1"

TRANSFEROR'S CERTIFICATION OF NON-FOREIGN STATUS

To inform GOOGLE, INC., a Delaware corporation ("**Transferee**"), that withholding of tax under Section 1445 of the Internal Revenue Code of 1986, as amended ("**Code**") will not be required upon the transfer of certain real property to the Transferee by NETAPP, INC., a Delaware corporation ("**Transferor**"), Transferor hereby certifies the following on behalf of the Transferor:

1. The Transferor is not a foreign corporation, foreign partnership, foreign trust, or foreign estate (as those terms are defined in the Code and the Income Tax Regulations promulgated thereunder);

2. The Transferor's U.S. employer identification number is 95-4599813;

3. The Transferor's office address is NetApp, Inc., 495 East Java Drive, Sunnyvale, California 94089;

4. Transferor is not a disregarded entity as defined in § 1.1445-2(b)(2)(iii).

The Transferor understands that this Certification may be disclosed to the Internal Revenue Service by the Transferee and that any false statement contained herein could be punished by fine, imprisonment, or both.

Under penalty of perjury Transferor declares that Transferor has examined this Certification and to the best of Transferor's knowledge and belief it is true, correct and complete, and Transferor further declares that Transferor has authority to sign this document.

Date: ________________, 2016

"TRANSFEROR" NETAPP, INC.,
a Delaware corporation

By:
Name:
Title:

EXHIBIT "C-2"

TAXABLE YEAR **2016** **Real Estate Withholding Certificate** CALIFORNIA FORM **593-C**

Part I – Seller/Transferor **Return this form to your escrow company.**

Name	SSN or ITIN
Spouse's/RDP's name (if jointly owned)	Spouse's/RDP's SSN or ITIN (if jointly owned)
Address (apt./ste., room, PO box, or PMB no.)	☐ FEIN ☐ CA Corp no. ☐ CA SOS file no.

City (If you have a foreign address, see instructions.)	State	ZIP code	Ownership percentage %

Property address (if no street address, provide parcel number and county)

To determine whether you qualify for a full or partial withholding exemption, check all boxes that apply to the property being sold or transferred. (See instructions)

Part II – Certifications which fully exempt the sale from withholding:

1. ☐ The property qualifies as the seller's/transferor's (or decedent's, if sold by the decedent's estate or trust) principal residence within the meaning of Internal Revenue Code (IRC) Section 121.
2. ☐ The seller/transferor (or decedent, if sold by the decedent's estate or trust) last used the property as the seller's/transferor's (decedent's) principal residence within the meaning of IRC Section 121 without regard to the two-year time period.
3. ☐ The seller/transferor has a loss or zero gain for California income tax purposes on this sale. To check this box you must complete Form 593-E, Real Estate Witholding-Computation of Estimated Gain or Loss, and have a loss or zero gain on line 16.
4. ☐ The property is being compulsorily or involuntarily converted and the seller/transferor intends to acquire property that is similar or related in service or use to qualify for nonrecognition of gain for California income tax purposes under IRC Section 1033.
5. ☐ The transfer qualifies for nonrecognition treatment under IRC Section 351 (transfer to a corporation controlled by the transferor) or IRC Section 721 (contribution to a partnership in exchange for a partnership interest).
6. ☐ The seller/transferor is a corporation (or a limited liability company (LLC) classified as a corporation for federal and California income tax purposes) that is either qualified through the California Secretary of State (SOS) or has a permanent place of business in California.
7. ☐ The seller/transferor is a California partnership or a partnership qualified to do business in California (or an LLC that is classified as a partnership for federal and California income tax purposes and is not a single member LLC that is disregarded for federal and California income tax purposes).
8. ☐ The seller/transferor is a tax-exempt entity under California or federal law.
9. ☐ The seller/transferor is an insurance company, individual retirement account, qualified pension/profit sharing plan, or charitable remainder trust.

Part III – Certifications that may partially or fully exempt the sale from withholding:

Real Estate Escrow Person (REEP): See instructions for amounts to withhold.

10. ☐ The transfer qualifies as a simultaneous like-kind exchange within the meaning of IRC Section 1031.
11. ☐ The transfer qualifies as a deferred like-kind exchange within the meaning of IRC Section 1031.
12. ☐ The transfer of this property is an installment sale where the buyer/transferee is required to withhold on the principal portion of each installment payment. Copies of Form 593-I, Real Estate Withholding Installment Sale Acknowledgement, and the promissory note are attached.

Seller/Transferor Signature

To learn about your privacy rights, how we may use your information, and the consequences for not providing the requested information, go to **ftb.ca.gov** and search for **privacy notice**. To request this notice by mail, call 800.852.5711.

Under penalties of perjury, I hereby certify that the information provided above is, to the best of my knowledge, true and correct. If conditions change, I will promptly inform the withholding agent. I understand that I must retain this form in my records for 5 years and that the Franchise Tax Board may review relevant escrow documents to ensure withholding compliance. Completing this form does **not** exempt me from filing a California income or franchise tax return to report this sale.

Seller's/Transferor's Name and Title______ Seller's/Transferor's Signature______ Date______

Spouse's/RDP's Name______ Spouse's/RDP's Signature______ Date______

Seller/ Transferor If you checked any box in Part II, you are exempt from real estate withholding.

If you checked any box in Part III, you may qualify for a partial or complete withholding exemption.

Except as to an installment sale, if the seller/transferor did not check any box in Part II or Part III of Form 593-C, the withholding will be $3^1/3$% (.0333) of the total sales price or the optional gain on sale withholding amount from line 5 of Form 593, Real Estate Withholding Tax Statement. If the seller/transferor does not return the completed Form 593 and Form 593-C by the close of escrow, the withholding will be $3^1/3$% (.0333) of the total sales price, unless the type of transaction is an installment sale. If the transaction is an installment sale, the withholding will be $3^1/3$% (.0333) of the first installment payment.

If you are withheld upon, the withholding agent should give you one copy of Form 593. Attach a copy to the lower front of your California income tax return and make a copy for your records.

7131163 Form 593-C c2 2015

EXHIBIT "D"

ASSIGNMENT OF LEASES

THIS ASSIGNMENT OF LEASES (this "**Assignment**") is made this ____ day of _______________, 2016 ("**Assignment Date**") by and between NETAPP, INC., a Delaware corporation ("**Assignor**"), and GOOGLE INC., a Delaware corporation ("**Assignee**").

W I T N E S S E T H:

A. Assignor and Assignee entered into that certain Agreement of Purchase and Sale and Joint Escrow Instructions, dated as of _________________, 2016 (the "**Agreement**"), respecting the sale of the Property. Capitalized terms used herein and not separately defined have the meanings ascribed to them in the Agreement.

B. Pursuant to the Agreement, Assignor is obligated to assign to Assignee all of Assignor's right, title and interest in and to the Leases, and Assignee is obligated to assume all of Assignor's obligations under the Leases arising from and after the Assignment Date.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Assignment and Assumption. Effective as of the Assignment Date, Assignor hereby assigns, sells, transfers, sets over and delivers unto Assignee all of Assignor's estate, right, title and interest in and to the Leases (and all security deposits held thereunder) as listed on Schedule 1 and Assignee hereby accepts such assignment. Assignee hereby assumes all of Assignor's obligations under the Leases and the performance of all of the terms, covenants and conditions imposed upon Assignor as landlord under the Leases, to the extent accruing or arising on or after the Assignment Date.

2. No Warranties. Assignee does hereby covenant with Assignor, and represents and warrants to Assignor, that Assignor is transferring the Lease to Assignee without any representation or warranty of any kind or nature (except as expressly set forth in the Agreement).

3. Dispute Costs. In the event of any dispute between Assignor and Assignee arising out of the obligations of the parties under this Assignment or concerning the meaning or interpretation of any provision contained herein, the losing party shall pay the prevailing party's costs and expenses of such dispute, including, without limitation, reasonable attorneys' fees and costs. Any such attorneys' fees and other expenses incurred by either party in enforcing a judgment in its favor under this Assignment shall be recoverable separately from and in addition to any other amount included in such judgment, and such attorneys' fees obligation is intended to be severable from the other provisions of this Assignment and to survive and not be merged into any such judgment.

4. Counterparts. This Assignment may be executed in counterparts, each of which shall be deemed an original, but all of which, together, shall constitute one and the same instrument.

5. Survival. This Assignment and the provisions hereof shall inure to the benefit of and be binding upon the parties to this Assignment and their respective successors, heirs and permitted assigns.

6. No Third Party Beneficiaries. Except as otherwise expressly set forth herein, Assignor and Assignee do not intend, and this Assignment shall not be construed, to create a third-party beneficiary

status or interest in, nor give any third-party beneficiary rights or remedies to, any other person or entity not a party to this Assignment.

7. Governing Law. This Assignment shall be governed by, interpreted under, and construed and enforceable in accordance with, the laws of the State of California.

IN WITNESS WHEREOF, Assignor and Assignee have executed and delivered this Assignment as of the Assignment Date.

"Assignor"

NETAPP, INC.,
a Delaware corporation

By:
Name:
Title:

"Assignee"

GOOGLE INC.,
a Delaware corporation

By:
Name:
Title:

EXHIBIT "E"

TENANT ESTOPPEL CERTIFICATE

TO: Seller:NetApp, Inc.
495 East Java Drive
Sunnyvale, California 94089

Buyer: Google Inc.
1600 Amphitheatre Parkway
Mountain View, CA 94043

RE: Lease dated _____________, ____ (the "Lease")
for ____________________ (the "Property")

Ladies and Gentlemen:

The undersigned is Tenant under the Lease. Tenant certifies to NETAPP, INC. ("Seller"), GOOGLE, INC., and their successors, transferees and assigns (collectively, "Buyer"), and acknowledges and agrees that:

1. The following information concerning the Lease is true and correct:

Landlord: ("Landlord")

Tenant: ("Tenant")

Premises: ("Premises")
containing __________ rentable square feet

Amendments, Modifications, Assignments Assumptions or Subleases after lease execution:

Commencement Date:

Expiration Date of Term:

Monthly payments under the Lease

Monthly Basic Rental:

Direct Costs (Operating Costs and Taxes):

Base Year:

Renewal Option:

Amount of Security Deposit:

2. The Lease contains the entire agreement between Landlord and Tenant with respect to the subject matter thereof, has not been modified or amended except as indicated above, no options to purchase or rights of first refusal to purchase are contained therein, and there are no other agreements between them, oral or written, regarding the Premises or the Property.

3. The Lease (modified as indicated above) is presently in full force and effect in accordance with its terms and Tenant has accepted the Premises.

4. All rent and additional rent payable under the Lease as of the date of this letter has been paid in full except as follows:. No rent or additional rent to become payable under the Lease has been paid more than 30 days in advance except as follows:.

5. To the best of Tenant's knowledge, no party to the Lease is in default thereunder, and no event has occurred which, with the giving of notice or the passage of time, or both, would constitute a default thereunder.

6. Tenant has no counterclaims, defenses or offsets to its obligations under the Lease or to the enforcement of any of the landlord's rights thereunder.

7. There are no unfinished tenant improvements required to be completed by Landlord as of the date hereof or any outstanding and unpaid tenant improvement allowances owing to Tenant as of the date hereof, except:

8. There are no rent concessions, rebates, free rents or similar inducements except as set forth in the Lease.

9. The Lease is subject and subordinate to any and all existing and future mortgages and any ground lease of the Premises.

10. Tenant acknowledges that if Lender succeeds to the interest of Landlord under the Lease, Lender shall not be liable for any act or omission of any prior landlord (including Landlord), liable for the return of any advance rental deposit or any security deposit (unless such sums have actually been received by Lender as security for Tenant's performance under the Lease), subject to any offset or defense which Tenant may have against any such prior landlord or bound by any rent or additional rent Tenant may have paid for more than the current month, or bound by any assignment, surrender, termination, cancellation, waiver, release, amendment or modification of the Lease not expressly permitted by the Lease made without its express written consent.

11. There has not been filed by or against Tenant a petition in bankruptcy, voluntary or otherwise, any assignment for the benefit of creditors, any petition seeking reorganization or arrangement under the bankruptcy laws of the United States, or any state thereof, or any other action brought under said bankruptcy laws with respect to Tenant that has not been removed.

12. Any guaranty agreement provided in connection with the Lease remains in full force and effect, no amounts are due from guarantor or have been paid by guarantor under such guaranty and there are no existing credits, defenses, offsets or counterclaims which

guarantor has against Landlord or Tenant which would adversely affect the enforcement of the guaranty by Landlord.

Tenant acknowledges that Buyer and Seller have requested this letter in connection with a proposed sale of the Premises, and that Buyer and Seller may rely on the information set forth in this letter.

By:
Name:
Title:
Dated:

The undersigned hereby acknowledges and agrees to the foregoing Estoppel Certificate.

"Guarantor"

____

By: ____________________
Name: __________________
Title: ___________________

EXHIBIT "F"

ASSIGNMENT OF CONTRACTS AND ASSUMPTION AGREEMENT

This Assignment of Contracts and Assumption Agreement (the "**Assignment**") is made and entered into as of this ____ day of ________, 2016 ("**Assignment Date**"), by and between NETAPP, INC., a Delaware corporation ("**Assignor**"), and GOOGLE INC., a Delaware corporation ("**Assignee**"), with reference to the following facts.

R E C I T A L S:

A. Assignor and Assignee are parties to that certain Agreement of Purchase and Sale and Joint Escrow Instructions, made and entered into as of __________, 2016 (the "**Agreement**"), pursuant to which Assignor agreed to sell to Assignee, and Assignee agreed to purchase from Assignor the Property. Capitalized terms used herein and not separately defined have the meanings ascribed to them in the Agreement.

B. Assignee has acquired fee title to the Real Property from Assignor on the Assignment Date. Assignor now desires to assign and transfer to Assignee all of Assignor's rights and interests in, to and under the Property Contracts.

NOW, THEREFORE, for valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties hereto agree as follows:

1. Assignment and Assumption. Effective as of the Assignment Date, Assignor hereby grants, transfers, conveys, assigns and delegates to Assignee all of its rights, interests, duties and obligations of Assignor in, to and under the Property Contracts listed on Schedule 1. Assignee hereby accepts such assignment and delegation by Assignor and agrees to fully perform and assume all the obligations of Assignor under the Property Contracts first arising from and after the Assignment Date.

2. No Warranties. Assignee does hereby acknowledge and agree, and represents and warrants to Assignor, that Assignor is transferring each of the Property Contracts to Assignee (to the extent the terms of any of the Property Contracts do not limit or restrict such right) without any warranty of any kind or nature except as set forth in the Purchase Agreement. This Assignment shall not be construed as a representation or warranty by Assignor as to the transferability or enforceability of the Property Contracts, and Assignor shall have no liability to Assignee in the event that any or all of the Property Contracts (a) are not transferable to Assignee or (b) are canceled or terminated by reason of this Assignment or any acts of Assignee.

3. Dispute Costs. In the event of any dispute between Assignor and Assignee arising out of the obligations of the parties under this Assignment or concerning the meaning or interpretation of any provision contained herein, the losing party shall pay the prevailing party's costs and expenses of such dispute, including, without limitation, reasonable attorneys' fees and costs. Any such attorneys' fees and other expenses incurred by either party in enforcing a judgment in its favor under this Assignment shall be recoverable separately from and in addition to any other amount included in such judgment, and such attorneys' fees obligation is intended to be severable from the other provisions of this Assignment and to survive and not be merged into any such judgment.

4. Counterparts. This Assignment may be executed in counterparts, each of which shall be deemed an original, and all of which shall taken together be deemed one document.

5. Survival. This Assignment and the provisions hereof shall inure to the benefit of and be binding upon the parties to this Assignment and their respective successors, heirs and permitted assigns.

6. No Third Party Beneficiaries. Except as otherwise expressly set forth herein, Assignor and Assignee do not intend, and this Assignment shall not be construed, to create a third-party beneficiary status or interest in, nor give any third-party beneficiary rights or remedies to, any other person or entity not a party to this Assignment.

7. Governing Law. This Assignment shall be governed by, interpreted under, and construed and enforceable in accordance with, the laws of the State of California.

IN WITNESS WHEREOF, the parties hereto have executed this Assignment as of the Assignment Date.

ASSIGNOR:

NETAPP, INC.,
a Delaware corporation

By:
Name:
Title:

ASSIGNEE:

GOOGLE INC.,
a Delaware corporation

By:
Name:
Title:

EXHIBIT "G"

BILL OF SALE

Reference is made to that certain Agreement of Purchase and Sale and Joint Escrow Instructions dated as of _______________, 2016, by and between NETAPP, INC., a Delaware corporation ("**Seller**"), and GOOGLE INC., a Delaware corporation ("**Buyer**") (the "**Agreement**"). Capitalized terms used herein shall have the meanings ascribed to them in the Agreement.

For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Seller does hereby GRANT, SELL, CONVEY, TRANSFER AND DELIVER to Buyer without any warranty of any kind, any and all of Seller's rights, title and interests in and to the Personal Property (as defined in the Agreement); provided, however, such transfer, assignment and sale shall not include any right to use the name "NetApp," and/or any other similar name relating to any of such names.

From and after the date of this Bill of Sale, it is intended by the parties that Buyer and its successors and assigns shall have the right to use, have, hold and own the Personal Property forever. This Bill of Sale may be executed in counterparts, each of which shall be deemed an original, and all of which shall taken together be deemed one document. Seller and Buyer agree that the delivery of an executed copy of this Bill of Sale by facsimile shall be legal and binding and shall have the same full force and effect as if an original executed copy of this Bill of Sale had been delivered.

Buyer hereby acknowledges, covenants, represents and warrants that Seller has made absolutely no warranties or representations of any kind or nature regarding title to the Personal Property or the condition of the Personal Property except as expressly set forth in the Purchase Agreement.

Buyer on behalf of itself and its officers, directors, employees, partners, agents, representatives, successors and assigns hereby agrees that in no event or circumstance shall Seller or its partners, members, trustees, employees, representatives, officers, related or affiliated entities, successors or assigns have any personal liability under this Bill of Sale, or to any of Buyer's creditors, or to any other party in connection with the Personal Property or the Property.

This Bill of Sale may be executed in counterparts, each of which shall be deemed an original, and all of which shall taken together be deemed one document.

This Bill of Sale shall be governed by, interpreted under, and construed and enforceable in accordance with, the laws of the State of California.

IN WITNESS WHEREOF, this Bill of Sale has been executed as of this ___ day of __________, 2016.

SELLER:

NETAPP, INC.,
a Delaware corporation

By:
Name:
Title:

BUYER:

GOOGLE INC.,
a Delaware corporation

By:
Name:
Title:

EXHIBIT "H"

GENERAL ASSIGNMENT

This General Assignment (this "**Assignment**") is made as of the ____ day of ______________, 2016 ("**Assignment Date**"), by NETAPP, INC., a Delaware corporation (the "**Assignor**"), and GOOGLE INC., a Delaware corporation (the "**Assignee**").

Pursuant to that certain Agreement of Purchase and Sale and Joint Escrow Instructions dated as of ______________, 2016 (the "**Agreement**"), Assignee has this day acquired from Assignor the Property. Capitalized terms used herein shall have the meanings ascribed to them in the Agreement.

In consideration of the acquisition of the Property by Assignee and other good and valuable consideration, the mutual receipt and legal sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Assignment. Assignor hereby assigns, transfers and sets over unto Assignee, without representation or warranty of any kind, and Assignee hereby accepts from Assignor, any and all of Assignor's right, title and interest in and to (i) all freely transferable warranties and guaranties (collectively, the "**Warranties and Guaranties**"), if any, with respect to the Property and (ii) all freely transferable consents, authorizations, variances or waivers, licenses, permits and approvals (collectively, the "**Approvals**") from any governmental or quasi-governmental agency, department, board, commission, bureau or other entity or instrumentality of any nature relating solely to the Property.

2. No Warranties. Assignee does hereby acknowledge and agree, and represents and warrants to Assignor, that Assignor is transferring each of the Warranties and Guaranties and the Approvals to Assignee (to the extent the terms thereof do not limit or restrict such right) without any warranty of any kind or nature except as expressly set forth in the Purchase Agreement. This Assignment shall not be construed as a representation or warranty by Assignor as to the transferability or enforceability of the Warranties and Guaranties or the Approvals, and Assignor shall have no liability to Assignee in the event that any or all of the Warranties and Guaranties and the Approvals (a) are not transferable to Assignee or (b) are canceled or terminated by reason of this Assignment or any acts of Assignee.

3. Dispute Costs. In the event of any dispute between Assignor and Assignee arising out of the obligations of the parties under this Assignment or concerning the meaning or interpretation of any provision contained herein, the losing party shall pay the prevailing party's costs and expenses of such dispute, including, without limitation, reasonable attorneys' fees and costs. Any such attorneys' fees and other expenses incurred by either party in enforcing a judgment in its favor under this Assignment shall be recoverable separately from and in addition to any other amount included in such judgment, and such attorneys' fees obligation is intended to be severable from the other provisions of this Assignment and to survive and not be merged into any such judgment.

4. Counterparts. This Assignment may be executed in counterparts, each of which shall be deemed an original, and all of which shall taken together be deemed one document.

5. Survival. This Assignment and the provisions hereof shall inure to the benefit of and be binding upon the parties to this Assignment and their respective successors, heirs and permitted assigns.

6. No Third Party Beneficiaries. Except as otherwise expressly set forth herein, Assignor and Assignee do not intend, and this Assignment shall not be construed, to create a third-party beneficiary

status or interest in, nor give any third-party beneficiary rights or remedies to, any other person or entity not a party to this Assignment.

7. Governing Law. This Assignment shall be governed by, interpreted under, and construed and enforceable in accordance with, the laws of the State of California.

IN WITNESS WHEREOF, Assignor and Assignee have caused this instrument to be executed as of the Assignment Date.

"ASSIGNOR"

NETAPP, INC.,
a Delaware corporation

By:
Name:
Title:

“ASSIGNEE”

GOOGLE INC.,
a Delaware corporation

By:
Name:
Title:

EXHIBIT "I"

LIST OF LEASES

Triple Net Space Lease (Single-Tenant – Tenant Buildout) dated June 25, 2010 with Cepheid, a California corporation (as amended)

Triple Net Space Lease (Multi-Tenant) dated September 24, 2010 with Bloom Energy Corporation, a Delaware corporation (as amended)

Lease dated June 17, 1996 with Quicklogic Corporation, a Delaware corporation

EXHIBIT "J"

LIST OF SERVICE CONTRACTS

KCI Sweeping Contract dated April 22, 2015

Cummins West Contract dated February 19, 2013

EXHIBIT "K"

SELLER’S LEASING COSTS

NONE.

EXHIBIT "L"

EXCLUDED PERSONAL PROPERTY

1 Each - Cummins 2,000 kW diesel generator located in the equipment pad of 1240 Crossman

4 each – Chargepoint CT2000 Electric Vehicle Charging Stations located in the back parking lot of 1260 Crossman Ave on the east side of the building

4 each – Chargepoint CT2000 Electric Vehicle Charging Stations located in the back parking lot of 1240 Crossman Ave on the north side of the building

All existing IT cabinets in various locations within all the buildings

All existing network infrastructure within the buildings, including UPS serving the network equipment, excluding cableplant

All modular furniture in 6 x 6 and 8 x 7 configurations and conference room furniture in 641 Baltic

All existing furniture within the lobby and all modular furniture on the 2nd floor of 1260 Crossman

EXHIBIT "M"

DUE DILIGENCE ITEMS

- Copies of all leases, any amendments, guaranties, Letters of Credit, and letter agreements relating thereto, and all other agreements relating to the Property.
- Copies of all operating contracts, and all service and maintenance agreements, if any, and any amendments and letter agreements relating thereto.
- Engineering, environmental and physical inspection reports generated by third parties in Seller's possession or control regarding the Property, including soil reports and maintenance records for mechanical equipment.
- Current tenant billing statements.
- Current aged receivable report and security deposit ledger.
- Annual tenant reconciliation statements for the past 3 years.
- Copies of recent property tax bills and assessor's statements of current assessed value.
- Any existing survey of the Property.
- Copies of all warranty agreements in Seller's possession covering all real or personal property to be conveyed, to the extent still in effect.
- Copies of all approvals, permits and licenses from each governmental authority having jurisdiction over the Property as are necessary to permit the full use and occupancy of the Property. These shall include but not be limited to: environmental permits and approvals, certificate of completion, certificates of occupancy (each tenant's suite and the entire property) and evidence of compliance with applicable zoning and use regulations.
- A detailed summary of all unresolved legal actions concerning the Property, including actions taken on behalf of or against the ownership of the Property.

AGREEMENT OF PURCHASE AND SALE
AND JOINT ESCROW INSTRUCTIONS

BETWEEN

NETAPP, INC.,
a Delaware corporation

as SELLER

and

GOOGLE INC.,
a Delaware corporation

as BUYER

TABLE OF CONTENTS

Page

I SUMMARY AND DEFINITION OF BASIC TERMS1

II RECITALS2

III AGREEMENT4

1. Purchase and Sale4

2. Purchase Price4
   - 2.1 Purchase Price4
   - 2.2 Deposit4
   - 2.3 Cash Balance5
   - 2.4 Independent Contract Consideration5

3. Escrow and Title5
   - 3.1 Opening of Escrow5
   - 3.2 Close of Escrow/Closing5

4. Contingencies; Conditions Precedent to the Close of Escrow6
   - 4.1 Buyer's Review6
   - 4.2 Title and Survey7
   - 4.3 Conditions Precedent to Buyer's Obligation to Close9
   - 4.4 Failure of Conditions Precedent to Buyer's Obligations9
   - 4.5 Conditions Precedent to Seller's Obligations10
   - 4.6 Effect of Closing or Termination10
   - 4.7 Defective Condition Extension; Termination10

5. Deliveries to Escrow Holder11
   - 5.1 Seller's Deliveries11
   - 5.2 Buyer's Deliveries12

6. Deliveries Upon Close of Escrow12
   - 6.1 Tax Filings12
   - 6.2 Prorations12
   - 6.3 Recording12
   - 6.4 Buyer Funds13
   - 6.5 Documents to Seller13
   - 6.6 Documents to Buyer13
   - 6.7 Seller Funds13

7. Costs and Expenses13

8. Prorations13
   - 8.1 Ad Valorem Taxes13
   - 8.2 Excise, Transfer and Sales Taxes13
   - 8.3 Lease Rentals14
   - 8.4 Security Deposit14

8.5 Operating Expenses14
8.6 Contracts15
8.7 Leasing Costs15
8.8 Prorations at Closing; Final Adjustment15

9. Covenants of Seller15
9.1 Contracts15
9.2 Operation in the Ordinary Course16
9.3 Tenant Estoppel Certificate16

10. AS-IS Sale and Purchase16
10.1 Buyer's Acknowledgment16

11. Seller's Representations and Warranties19
11.1 Formation; Authority20
11.2 Leases20
11.3 Litigation20
11.4 Foreign Person20
11.5 No Bankruptcy20
11.6 Contracts20
11.7 Hazardous Substances20
11.8 Compliance With Laws20
11.9 Employees21
11.10 Prohibited Person; Patriot Act Compliance21
11.11 No Additional Consents21
11.12 Subsequent Changes21
11.13 Seller's Knowledge22
11.14 Survival22

12. Buyer's Representations and Warranties22
12.1 Formation; Authority22

13. Casualty and Condemnation22
13.1 Casualty22
13.2 Material Condemnation22
13.3 Non-Material Condemnation23
13.4 Materiality Standard23
13.5 Notice of Casualty and Condemnation23

14. Notices23

15. Broker Commissions24

16. Default24
16.1 Default by Seller24
16.2 Default by Buyer24
16.3 Indemnities; Defaults after Closing or Termination25
16.4 Limited Liability25

17. Assignment26

18. Miscellaneous26
- 18.1 Governing Law26
- 18.2 Partial Invalidity26
- 18.3 Waivers26
- 18.4 Successors and Assigns26
- 18.5 Professional Fees26
- 18.6 Entire Agreement27
- 18.7 Time of Essence/Business Days27
- 18.8 Construction27
- 18.9 Material Adverse Effect27

19. Intentionally Deleted27

20. Exchange27

21. Confidentiality28

INDEX

Page(s)

Additional Deposit 2
Agreement 1
Anti-Money Laundering Laws 22
Assignment of Contracts 11
Bill of Sale 11
Buildings 1
Buyer 1
Buyer Parties 27
Buyer's Disapproval Notice 7
Buyer's Notice Address 1
Buyer's Representatives 29
CAP Amount 27
Claims 19
Close of Escrow 5
Closing 5
Contingency Deadline 2
Contracts 6
Cooperating Party 29
Deed 5, 11
Defective Condition 11
Deposit 4
Due Diligence Investigations 3
Due Diligence Items 6
Effective Date 1
Environmental Laws 18
Escrow Holder 2
Escrow Holder's Notice Address 2
Escrow Instructions. 5
Excluded Claims 19
Floor Amount 27
General Assignment 11
Governmental Regulations 17
Hazardous Substances 18
Improvements 3
Initial Deposit 2
Intangible Personal Property 3
Interim Date 8
Intrusive Tests 7
Land 2
Leases 3
Leasing Costs 15
Material Adverse Effect 29
Monetary Liens 8
Natural Hazard Expert 2
New Contracts 16
Objection Notice 8
Opening of Escrow 5
Other Documents 27

Page(s)

Outside Closing Date 2
Property 3
Property Approval Period 7
PTR 8
Purchase Price 1
Real Property 3
Reconciliation Period 14
Reports 6
Requesting Party 29
Seller 1
Seller Group 17
Seller's Representative 2
Seller's Response 8
Tax Certificates 11
Tenant Charges 14

Exhibit 10.42

FIRST AMENDMENT TO
AGREEMENT OF PURCHASE AND SALE AND JOINT ESCROW INSTRUCTIONS

THIS FIRST AMENDMENT TO AGREEMENT OF PURCHASE AND SALE AND JOINT ESCROW INSTRUCTIONS (this "**Amendment**") is made effective as of March 11, 2016, by and between NETAPP, INC., a Delaware corporation ("**Seller**"), and GOOGLE INC., a Delaware corporation ("**Buyer**").

R E C I T A L S

A. Seller and Buyer previously entered into that certain Agreement of Purchase and Sale and Joint Escrow Instructions dated as of March 9, 2016 (the "**Agreement**"), pursuant to which Seller agreed to sell, and Buyer agreed to purchase, eight (8) buildings located on the Land situated in the City of Sunnyvale, County of Santa Clara, California ("**Property**"), and commonly known as follows: (i) an approximately 46,170 square foot building located at 1299 Orleans Drive, (ii) an approximately 42,624 square foot building located at 1277 Orleans Drive, (iii) an approximately 95,464 square foot building located at 1260 Crossman Avenue, (iv) an approximately 125,648 square foot building located at 1240 Crossman Avenue, (v) an approximately 110,160 square foot building located at 549 Baltic Way, (vi) an approximately 88,320 square foot building located at 641 Baltic Way, (vii) an approximately 43,372 square foot building located at 611 Baltic Way, and (viii) an approximately 43,372 square foot building located at 633 Caribbean Drive, which Property is more particularly described in the Agreement.

B. Seller and Buyer now desire to amend the Agreement, upon the terms and conditions more particularly set forth herein.

A G R E E M E N T

NOW THEREFORE, in consideration of the terms and conditions contained herein, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Seller and Buyer hereby agree to amend the Agreement as follows:

1. Definitions. All defined terms used herein without definition shall have the meaning ascribed thereto in the Agreement; provided that all references to "Baltic Avenue" or "Baltic Drive" in the Agreement shall be deemed to be "Baltic Way" for all purposes.

2. Contingency Deadline. Notwithstanding anything to the contrary in the Agreement, the expiration of the Contingency Deadline is hereby extended to 12:00 p.m. (Pacific Time) on March 15, 2016, for all purposes of the Agreement.

3. NetApp Leases. Notwithstanding anything to the contrary in the Agreement, Seller and Buyer agree that the expiration dates for the NetApp Leases will be as follows: (i) 1260 Crossman will expire May 31, 2016; (ii) 1240 Crossman will expire December 31, 2017; (iii) 1299 Orleans will expire March 31, 2017; (iv) 641 Baltic Way will expire May 31, 2016; (v) 603-611 Baltic Way will expire July 31, 2016; and (vi) 549 Baltic Way will expire on May 31, 2016.

4. Miscellaneous.

(a) Effect of Amendment. Except to the extent the Agreement is modified by this Amendment, the remaining terms and conditions of the Agreement shall remain unmodified and in full force and effect. In the event of conflict, between the terms and conditions of the Agreement and the terms and conditions of this Amendment, the terms and conditions of this Amendment shall prevail and control. As used in the Agreement, all references to "this Agreement" shall mean and refer to the Agreement as amended by this Amendment.

(b) Entire Agreement. The Agreement, together with this Amendment, embodies the entire understanding between Buyer and Seller with respect to its subject matter and can be changed only by an instrument in writing signed by Buyer and Seller.

(c) Counterparts. This Amendment may be executed in one or more counterparts, including facsimile counterparts or electronic counterparts, each of which shall be deemed an original but all of which, taken together, shall constitute one in the same Amendment.

(d) Applicable Law. This Amendment shall be governed by and construed and enforced in accordance with the laws of the State of California without regard to conflicts of law principles.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed as of the date first set forth above.

"SELLER"

NETAPP, INC.,
a Delaware corporation

By: _/s/ Jeffrey K. Bergmann_____________
Name: Jeffrey K. Bergmann____ _
Title: _Interim CFO _

"BUYER"

GOOGLE INC.,
a Delaware corporation

By: /s/ David Radcliffe
Name: David Radcliffe
Title: VP, Real Estate

Exhibit 10.43

SECOND AMENDMENT TO
AGREEMENT OF PURCHASE AND SALE AND JOINT ESCROW INSTRUCTIONS

THIS SECOND AMENDMENT TO AGREEMENT OF PURCHASE AND SALE AND JOINT ESCROW INSTRUCTIONS (this "**Amendment**") is made effective as of April 8, 2016, by and between NETAPP, INC., a Delaware corporation ("**Seller**"), and GOOGLE INC., a Delaware corporation ("**Buyer**").

R E C I T A L S

A. Seller and Buyer previously entered into that certain Agreement of Purchase and Sale and Joint Escrow Instructions dated as of March 9, 2016, as amended by that certain First Amendment to Agreement of Purchase and Sale and Joint Escrow Instructions dated as of March 11, 2016, (as amended, the "**Agreement**"), pursuant to which Seller agreed to sell, and Buyer agreed to purchase, eight (8) buildings located on the Land situated in the City of Sunnyvale, County of Santa Clara, California ("**Property**"), and commonly known as follows: (i) an approximately 46,170 square foot building located at 1299 Orleans Drive, (ii) an approximately 42,624 square foot building located at 1277 Orleans Drive, (iii) an approximately 95,464 square foot building located at 1260 Crossman Avenue, (iv) an approximately 125,648 square foot building located at 1240 Crossman Avenue, (v) an approximately 110,160 square foot building located at 549 Baltic Way, (vi) an approximately 88,320 square foot building located at 641 Baltic Way, (vii) an approximately 43,372 square foot building located at 611 Baltic Way, and (viii) an approximately 43,372 square foot building located at 633 Caribbean Drive, which Property is more particularly described in the Agreement.

B. Seller and Buyer now desire to amend the Agreement, upon the terms and conditions more particularly set forth herein.

A G R E E M E N T

NOW THEREFORE, in consideration of the terms and conditions contained herein, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Seller and Buyer hereby agree to amend the Agreement as follows:

1. Definitions. All defined terms used herein without definition shall have the meaning ascribed thereto in the Agreement; provided that all references to "Baltic Avenue" or "Baltic Drive" in the Agreement shall be deemed to be "Baltic Way" for all purposes.

2. Outside Closing Date. Notwithstanding anything to the contrary in the Agreement, the Outside Closing Date is hereby extended to April 19, 2016, subject to any extension rights provided in the Agreement. In no event shall the Outside Closing Date be later than April 22, 2016.

3. Miscellaneous.

(a)Effect of Amendment. Except to the extent the Agreement is modified by this Amendment, the remaining terms and conditions of the Agreement shall remain unmodified and in full force and effect. In the event of conflict, between the terms and conditions of the Agreement and the terms and conditions of this Amendment, the terms and conditions of this Amendment shall prevail and control. As used in the Agreement, all references to "this Agreement" shall mean and refer to the Agreement as amended by this Amendment.

(b)Entire Agreement. The Agreement, together with this Amendment, embodies the entire understanding between Buyer and Seller with respect to its subject matter and can be changed only by an instrument in writing signed by Buyer and Seller.

(c)Counterparts. This Amendment may be executed in one or more counterparts, including facsimile counterparts or electronic counterparts, each of which shall be deemed an original but all of which, taken together, shall constitute one in the same Amendment.

(d)Applicable Law. This Amendment shall be governed by and construed and enforced in accordance with the laws of the State of California without regard to conflicts of law principles.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have caused this Amendment to be executed as of the date first set forth above.

"SELLER" NETAPP, INC.,
a Delaware corporation

By: /s/ Jeffrey K. Bergmann
Name: Jeffrey K. Bergmann
Title: Interim CFO

"BUYER" GOOGLE INC.,
a Delaware corporation

By: /s/ David Radcliffe
Name: David Radcliffe
Title: VP, Real Estate

Exhibit 21.1

SUBSIDIARIES OF THE COMPANY

Name	Jurisdiction of Incorporation or Organization
NetApp Argentina S.R.L.	Argentina
NetApp Australia Pty. Ltd.	Australia
NetApp Austria GesMBH	Austria
NetApp Belgium BVBA	Belgium
NetApp Global Limited	Bermuda
NetApp Global Holdings Ltd.	Bermuda
NetApp Brasil Solucoes de Gerenciamento e Armazenamento de Dados Ltda	Brazil
NetApp U.S. Public Sector, Inc.	California
NetCache, Inc.	California
NetApp Canada Ltd.	Canada
NetApp VTC, Inc.	Canada
NetApp Chile Limitada	Chile
NetApp (Shanghai) Commercial Co., Ltd.	China
NetApp Holdings Ltd.	Cyprus
Blue Steel Acquisition LLC	Delaware
NetApp Capital Solutions, Inc.	Delaware
Onaro, Inc.	Delaware
SolidFire, LLC	Delaware
SolidFire International, LLC	Delaware
SolidFire Holdings, LLC	Delaware
Sonoma Holdings, LLC	Delaware
NetApp Denmark ApS	Denmark
NetApp Finland Oy	Finland
NetApp France SAS	France
NetApp Deutschland GmbH	Germany
NetApp (China) Limited	Hong Kong
NetApp (Hong Kong) Limited	Hong Kong
NetApp India Private Limited	India
NetApp India Marketing and Services Private Limited	India
PT. NetApp Indonesia	Indonesia
Network Appliance (Sales) Limited	Ireland
NetApp Israel R&D, Ltd.	Israel
NetApp Israel Sales Ltd.	Israel
Onaro Israel, Ltd.	Israel
Scharfnet, Ltd	Israel
NetApp Italia Srl.	Italy
NetApp K.K.	Japan
SolidFire International Asia Japan KK	Japan
NetApp Korea Limited	Korea
SolidFire International Asia Korea Co., Ltd.	Korea
NetApp Luxembourg S.a.r.l.	Luxembourg
NetApp Malaysia Sdn Bhd	Malaysia
NetApp Mexico S. de R.L. de C.V.	Mexico
NetApp New Zealand Limited	New Zealand
NetApp Nigeria Limited	Nigeria
NetApp Norway AS	Norway
NetApp Poland Sp. z.o.o.	Poland
NetApp Russia LLC	Russia
Network Appliance Saudi Arabia LLC	Saudi Arabia
NetApp Singapore Pte. Ltd.	Singapore
SolidFire International Asia Pte. Ltd.	Singapore
NetApp South Africa (Pty) Limited	South Africa
NetApp Spain Sales SL	Spain
Network Appliance Sweden AB	Sweden
NetApp Switzerland GmbH	Switzerland
NetApp (Thailand) Limited	Thailand
Decru B.V.	The Netherlands
NA Technology C.V.	The Netherlands
NetApp Asia Pacific Holdings B.V.	The Netherlands

Name	Jurisdiction of Incorporation or Organization
NetApp B.V.	The Netherlands
NetApp Holding & Manufacturing B.V. NAHM	The Netherlands
SolidFire Holdings, C.V.	The Netherlands
Sonoma Holdings C.V.	The Netherlands
NetApp Teknoloji Limited Sirketi	Turkey
NetApp UK Ltd.	United Kingdom
NetApp Vietnam Company Limited	Vietnam

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-128098, 333-149375, 333-167619, 333-186967, 333-200586, 333-192564, 333-178213, 333-170089, 333-162696, 333-154867, 333-147034, 333-138337, 333-133564, 333-128098, 333-119640, 333-113200, 333-109627, 333-100837, 333-73982, 333-57378, 333-32318, 333-40307, 333-208309 and 333-209570 on Form S-8, Registration Statement No. 333-185217 on Form S-3 and Registration No. 333-208311 on Form S-3ASR of our reports dated June 22, 2016, relating to the consolidated financial statements of NetApp, Inc. (the "Company") and the effectiveness of the Company's internal control over financial reporting, appearing in this Annual Report on Form 10-K of the Company for the year ended April 29, 2016.

/s/ DELOITTE & TOUCHE LLP

San Jose, California
June 22, 2016

Exhibit 31.1

**CERTIFICATION PURSUANT TO SECTION 302(a)
OF THE SARBANES-OXLEY ACT OF 2002**

I, George Kurian, certify that:

1) I have reviewed this Annual Report on Form 10-K of NetApp, Inc.;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ GEORGE KURIAN

George Kurian
Chief Executive Officer and President
(Principal Executive Officer and Principal Operating Officer)

Date: June 22, 2016

Exhibit 31.2

CERTIFICATION PURSUANT TO SECTION 302(a)
OF THE SARBANES-OXLEY ACT OF 2002

I, Ronald J. Pasek, certify that:

1) I have reviewed this Annual Report on Form 10-K of NetApp, Inc.;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ RONALD J. PASEK

Ronald J. Pasek
Executive Vice President and Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Date: June 22, 2016

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, George Kurian, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of NetApp, Inc., on Form 10-K for the year ended April 29, 2016 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in such Annual Report on Form 10-K fairly presents, in all material respects, the financial condition and results of operations of NetApp, Inc.

/s/ GEORGE KURIAN
George Kurian
Chief Executive Officer and President
(Principal Executive Officer and Principal Operating Officer)

Date: June 22, 2016

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Ronald J. Pasek, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of NetApp, Inc., on Form 10-K for the year ended April 29, 2016 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in such Annual Report on Form 10-K fairly presents, in all material respects, the financial condition and results of operations of NetApp, Inc.

/s/ RONALD J. PASEK
Ronald J. Pasek
Executive Vice President and Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Date: June 22, 2016