

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

Form 10-Q

(Mark One)

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

For the quarterly period ended October 25, 2013

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

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

77-0307520

*(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)

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 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

Smaller reporting company

(Do not check if a 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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of November 18, 2013, there were 340,818,219 shares of the registrant's common stock, \$0.001 par value, outstanding.

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PART I — FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements (Unaudited)

NETAPP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions, except par value)
(Unaudited)

	October 25, 2013	April 26, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,260.5	\$ 3,277.1
Short-term investments	3,012.2	3,675.5
Accounts receivable, net of allowances of \$2.4 million and \$4.2 million as of October 25, 2013 and April 26, 2013, respectively	590.4	800.9
Inventories	115.9	139.5
Other current assets	441.0	525.2
Total current assets	6,420.0	8,418.2
Property and equipment, net	1,142.9	1,170.9
Goodwill	988.1	988.1
Purchased intangible assets, net	150.9	180.6
Other non-current assets	495.5	484.6
Total assets	<u>\$ 9,197.4</u>	<u>\$ 11,242.4</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 223.8	\$ 259.7
Accrued compensation and related benefits	306.7	348.0
Other current liabilities	352.4	401.8
Current portion of long-term debt	0.0	1,257.8
Short-term deferred revenue	1,525.8	1,563.3
Total current liabilities	2,408.7	3,830.6
Long-term debt	995.0	994.6
Other long-term liabilities	267.2	253.5
Long-term deferred revenue	1,406.1	1,446.2
Total liabilities	<u>5,077.0</u>	<u>6,524.9</u>
Commitments and contingencies (Note 15)		
Stockholders' equity:		
Common stock, \$0.001 par value, (341.8 and 460.9 shares issued as of October 25, 2013 and April 26, 2013, respectively)	0.3	0.5
Additional paid-in capital	3,998.3	4,738.9
Treasury stock, at cost (no shares and 104.3 shares as of October 25, 2013 and April 26, 2013, respectively)	0.0	(2,927.4)
Retained earnings	115.5	2,896.8
Accumulated other comprehensive income	6.3	8.7
Total stockholders' equity	<u>4,120.4</u>	<u>4,717.5</u>
Total liabilities and stockholders' equity	<u>\$ 9,197.4</u>	<u>\$ 11,242.4</u>

See accompanying notes to condensed consolidated financial statements.

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NETAPP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except per share amounts)
(Unaudited)

	Three Months Ended		Six Months Ended	
	October 25, 2013	October 26, 2012	October 25, 2013	October 26, 2012
Revenues:				
Product	\$ 955.3	\$ 995.8	\$ 1,886.1	\$ 1,893.8
Software entitlements and maintenance	231.8	219.4	460.3	437.9
Service	362.8	326.0	719.7	654.1
Net revenues	<u>1,549.9</u>	<u>1,541.2</u>	<u>3,066.1</u>	<u>2,985.8</u>
Cost of revenues:				
Cost of product	423.3	477.3	873.2	929.5
Cost of software entitlements and maintenance	7.5	7.0	15.0	13.6
Cost of service	153.9	143.0	303.1	278.7
Total cost of revenues	<u>584.7</u>	<u>627.3</u>	<u>1,191.3</u>	<u>1,221.8</u>
Gross profit	<u>965.2</u>	<u>913.9</u>	<u>1,874.8</u>	<u>1,764.0</u>
Operating expenses:				
Sales and marketing	479.5	488.2	947.3	971.1
Research and development	228.2	223.8	456.3	445.2
General and administrative	69.5	66.6	137.9	132.2
Restructuring and other charges	1.1	0.0	49.5	0.0
Total operating expenses	<u>778.3</u>	<u>778.6</u>	<u>1,591.0</u>	<u>1,548.5</u>
Income from operations	186.9	135.3	283.8	215.5
Other income (expense), net:				
Interest income	8.5	11.0	18.5	21.8
Interest expense	(6.5)	(19.8)	(23.0)	(39.7)
Other income, net	3.3	1.2	5.2	4.3
Total other income (expense), net	<u>5.3</u>	<u>(7.6)</u>	<u>0.7</u>	<u>(13.6)</u>
Income before income taxes	192.2	127.7	284.5	201.9
Provision for income taxes	25.4	18.1	36.1	28.5
Net income	<u>\$ 166.8</u>	<u>\$ 109.6</u>	<u>\$ 248.4</u>	<u>\$ 173.4</u>
Net income per share:				
Basic	<u>\$ 0.49</u>	<u>\$ 0.30</u>	<u>\$ 0.72</u>	<u>\$ 0.48</u>
Diluted	<u>\$ 0.48</u>	<u>\$ 0.30</u>	<u>\$ 0.70</u>	<u>\$ 0.47</u>
Shares used in net income per share calculations:				
Basic	<u>340.7</u>	<u>362.0</u>	<u>345.8</u>	<u>364.1</u>
Diluted	<u>349.1</u>	<u>368.2</u>	<u>354.5</u>	<u>369.7</u>
Cash dividends declared per share	<u>\$ 0.15</u>	<u>\$ 0.00</u>	<u>\$ 0.30</u>	<u>\$ 0.00</u>

See accompanying notes to condensed consolidated financial statements.

NETAPP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions)
(Unaudited)

	Three Months Ended		Six Months Ended	
	October 25, 2013	October 26, 2012	October 25, 2013	October 26, 2012
Net income	<u>\$ 166.8</u>	<u>\$ 109.6</u>	<u>\$ 248.4</u>	<u>\$ 173.4</u>
Other comprehensive income (loss):				
Foreign currency translation adjustments	4.8	3.6	3.6	(1.6)
Defined benefit obligation adjustments	0.1	0.1	0.2	0.2
Unrealized gains (losses) on available-for-sale securities:				
Unrealized holding gains (losses) arising during the period	4.4	2.5	(4.0)	6.6
Income tax effect on unrealized holding gains (losses)	0.0	0.2	1.0	(0.3)
Reclassification adjustments for gains included in net income	(1.0)	(0.5)	(1.1)	(0.6)
Unrealized gains (losses) on cash flow hedges:				
Unrealized holding gains (losses) arising during the period	(3.1)	(5.5)	(3.5)	0.9
Reclassification adjustments for (gains) losses included in net income	2.4	2.6	1.4	(1.9)
Other comprehensive income (loss)	<u>7.6</u>	<u>3.0</u>	<u>(2.4)</u>	<u>3.3</u>
Comprehensive income	<u>\$ 174.4</u>	<u>\$ 112.6</u>	<u>\$ 246.0</u>	<u>\$ 176.7</u>

See accompanying notes to condensed consolidated financial statements.

NETAPP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)
(Unaudited)

	Six Months Ended	
	October 25, 2013	October 26, 2012
Cash flows from operating activities:		
Net income	\$ 248.4	\$ 173.4
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	168.4	169.1
Stock-based compensation	133.9	144.2
Accretion of discount and issuance costs on debt	8.8	28.7
Deferred income taxes	(8.4)	(50.0)
Excess tax benefit from stock-based compensation	(9.5)	(43.6)
Other non-cash items, net	(16.5)	38.3
Changes in assets and liabilities:		
Accounts receivable	209.3	212.9
Inventories	23.6	(51.7)
Other operating assets	92.9	(16.9)
Accounts payable	(40.8)	13.9
Accrued compensation and other current liabilities	(102.4)	(15.9)
Deferred revenue	(67.6)	(42.6)
Other operating liabilities	8.2	5.8
Net cash provided by operating activities	<u>648.3</u>	<u>565.6</u>
Cash flows from investing activities:		
Purchases of investments	(476.1)	(1,243.0)
Maturities, sales and collections of investments	1,148.2	1,336.4
Purchases of property and equipment	(107.5)	(129.0)
Other investing activities, net	3.4	2.8
Net cash provided by (used in) investing activities	<u>568.0</u>	<u>(32.8)</u>
Cash flows from financing activities:		
Issuance of common stock under employee stock plans	123.9	45.1
Repurchase of common stock and forward contract	(1,000.0)	(348.3)
Excess tax benefit from stock-based compensation	9.5	43.6
Repayment of long-term debt	(1,264.9)	0.0
Dividends paid	(102.7)	0.0
Other financing activities, net	(5.7)	(0.3)
Net cash used in financing activities	<u>(2,239.9)</u>	<u>(259.9)</u>
Effect of exchange rate changes on cash and cash equivalents	7.0	(5.9)
Net increase (decrease) in cash and cash equivalents	(1,016.6)	267.0
Cash and cash equivalents:		
Beginning of period	<u>3,277.1</u>	<u>1,549.8</u>
End of period	<u>\$ 2,260.5</u>	<u>\$ 1,816.8</u>

See accompanying notes to condensed consolidated financial statements.

NETAPP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. The Company

Headquartered in Sunnyvale, California, NetApp, Inc. (we, us, or the Company) is a supplier of enterprise storage and data management software and hardware products and services. Our solutions help global enterprises meet information technology challenges such as managing storage growth, assuring secure and timely information access, protecting data and controlling costs by providing innovative solutions that simplify the complexity associated with managing corporate data.

2. Condensed Consolidated Financial Statements

Fiscal Year — Our fiscal year is reported on a 52- or 53-week year ending on the last Friday in April. The first and second quarters of fiscal 2014 and 2013 were each 13-week periods.

Basis of Presentation — The accompanying unaudited condensed consolidated financial statements have been prepared by the Company, and reflect all adjustments, consisting only of normal recurring adjustments, that are, in the opinion of management, necessary for the fair presentation of our financial position, results of operations, comprehensive income and cash flows for the interim periods presented. The statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, these statements do not include all information and footnotes required by GAAP for annual consolidated financial statements, and should be read in conjunction with our audited consolidated financial statements as of and for the fiscal year ended April 26, 2013 contained in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on June 17, 2013. The results of operations for the three and six months ended October 25, 2013 are not necessarily indicative of the operating results to be expected for the full fiscal year or future operating periods.

3. Significant Accounting Policies

There have been no significant changes in our significant accounting policies as of and for the six months ended October 25, 2013, as compared to the significant accounting policies described in our Annual Report on Form 10-K for the fiscal year ended April 26, 2013.

Recent Accounting Standards Not Yet Effective — In July 2013, the Financial Accounting Standards Board issued an accounting standard update providing presentation requirements for unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a similar tax credit carryforward exists. This accounting standard update will be effective for us beginning in our first quarter of fiscal 2015 and is not expected to have a significant impact on our consolidated financial statements.

Use of Estimates — The preparation of the condensed consolidated financial statements in conformity with 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.

4. Statements of Cash Flows

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

	Six Months Ended	
	October 25, 2013	October 26, 2012
Non-cash Investing and Financing Activities:		
Reclassification of equity component of Convertible Notes	\$ 0.0	\$ 62.6
Acquisition of property and equipment outstanding in accounts payable	\$ 27.1	\$ 20.0
Acquisition of software through long-term financing	\$ 11.4	\$ 0.8
Supplemental Cash Flow Information:		
Income taxes paid, net of refunds	\$ 26.5	\$ 26.5
Interest paid, net of capitalized interest	\$ 23.2	\$ 11.3

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5. Purchased Intangible Assets, Net

Purchased intangible assets, net are summarized below (in millions):

	October 25, 2013			April 26, 2013		
	Gross Assets	Accumulated Amortization	Net Assets	Gross Assets	Accumulated Amortization	Net Assets
Developed technology	\$283.0	\$ (134.0)	\$149.0	\$312.4	\$ (134.9)	\$177.5
Customer contracts/relationships	9.6	(8.7)	0.9	54.7	(53.1)	1.6
Trademarks and trade names	2.9	(2.2)	0.7	9.9	(8.9)	1.0
Covenants not to compete	1.6	(1.3)	0.3	2.2	(1.7)	0.5
Total purchased intangible assets	<u>\$297.1</u>	<u>\$ (146.2)</u>	<u>\$150.9</u>	<u>\$379.2</u>	<u>\$ (198.6)</u>	<u>\$180.6</u>

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

	Three Months Ended		Six Months Ended		Statements of Operations Classifications
	October 25, 2013	October 26, 2012	October 25, 2013	October 26, 2012	
Developed technology	\$ 14.3	\$ 14.0	\$ 28.6	\$ 27.9	Cost of revenues
Customer contracts/relationships	0.3	6.3	0.7	12.6	Operating expenses
Trademarks and trade names	0.1	1.0	0.2	2.0	Operating expenses
Covenants not to compete	0.2	0.2	0.3	0.4	Operating expenses
	<u>\$ 14.9</u>	<u>\$ 21.5</u>	<u>\$ 29.8</u>	<u>\$ 42.9</u>	

As of October 25, 2013, future amortization expense related to purchased intangible assets is as follows (in millions):

Fiscal Year	Amount
Remainder of 2014	\$ 29.5
2015	57.8
2016	53.6
2017	6.7
2018	3.3
Total	<u>\$150.9</u>

6. Balance Sheet Details

Cash and cash equivalents (in millions):

	October 25, 2013	April 26, 2013
Cash	\$ 2,088.8	\$ 1,634.7
Cash equivalents	171.7	1,642.4
Cash and cash equivalents	<u>\$ 2,260.5</u>	<u>\$ 3,277.1</u>

Inventories (in millions):

	October 25, 2013	April 26, 2013
Purchased components	\$ 10.8	\$ 16.3
Finished goods	105.1	123.2
Inventories	<u>\$ 115.9</u>	<u>\$ 139.5</u>

Other current assets (in millions):

	October 25, 2013	April 26, 2013
Prepaid expenses and other current assets	\$ 192.3	\$ 262.6
Short-term restricted cash	7.7	8.9
Deferred tax assets	241.0	253.7
Other current assets	<u>\$ 441.0</u>	<u>\$ 525.2</u>

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Property and equipment, net (in millions):

	October 25, 2013	April 26, 2013
Land and land improvements	\$ 265.7	\$ 265.5
Buildings and building improvements	540.8	534.8
Leasehold improvements	101.8	100.3
Computer, production, engineering and other equipment	747.8	714.0
Software	430.1	422.6
Furniture and fixtures	84.9	82.2
Construction-in-progress	39.6	19.9
	<u>2,210.7</u>	<u>2,139.3</u>
Accumulated depreciation and amortization	(1,067.8)	(968.4)
Property and equipment, net	<u>\$ 1,142.9</u>	<u>\$ 1,170.9</u>

Software includes capitalized internal-use software development costs with a net book value as follows (in millions):

	October 25, 2013	April 26, 2013
Computer software	<u>\$ 138.6</u>	<u>\$ 162.5</u>

Other non-current assets (in millions):

	October 25, 2013	April 26, 2013
Auction rate securities	\$ 39.5	\$ 42.0
Deferred tax assets	211.8	200.4
Other assets	244.2	242.2
Other non-current assets	<u>\$ 495.5</u>	<u>\$ 484.6</u>

Short-term and long-term deferred revenue (in millions):

	October 25, 2013	April 26, 2013
Product	\$ 26.9	\$ 15.7
Software entitlements and maintenance and service	<u>2,905.0</u>	<u>2,993.8</u>
Total	<u>\$ 2,931.9</u>	<u>\$ 3,009.5</u>
Reported as:		
Short-term	\$ 1,525.8	\$ 1,563.3
Long-term	1,406.1	1,446.2
Total	<u>\$ 2,931.9</u>	<u>\$ 3,009.5</u>

7. 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 our 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.

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Investments

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

	October 25, 2013				April 26, 2013			
	Cost or Amortized Cost	Gross Unrealized		Estimated Fair Value	Cost or Amortized Cost	Gross Unrealized		Estimated Fair Value
		Gains	Losses			Gains	Losses	
Corporate bonds	\$2,558.6	\$ 10.8	\$ (0.9)	\$2,568.5	\$3,132.8	\$ 14.9	\$ (0.6)	\$3,147.1
U.S. Treasury and government debt securities	278.2	0.4	0.0	278.6	392.8	0.9	0.0	393.7
Commercial paper	151.7	0.0	0.0	151.7	178.5	0.0	0.0	178.5
Certificates of deposit	185.0	0.1	0.0	185.1	135.4	0.1	0.0	135.5
Money market funds	0.0	0.0	0.0	0.0	1,463.1	0.0	0.0	1,463.1
Auction rate securities	41.9	0.0	(2.4)	39.5	44.2	0.5	(2.7)	42.0
Equity funds	31.6	0.0	0.0	31.6	28.3	0.0	0.0	28.3
Total debt and equity securities	<u>\$3,247.0</u>	<u>\$ 11.3</u>	<u>\$ (3.3)</u>	<u>\$3,255.0</u>	<u>\$5,375.1</u>	<u>\$ 16.4</u>	<u>\$ (3.3)</u>	<u>\$5,388.2</u>

The unrealized losses on our available-for-sale investments were caused by market value declines as a result of the economic environment, as well as fluctuations in market interest rates. Because the declines in market value are attributable to changes in market conditions and not credit quality, and because we have currently concluded that we neither intend to sell nor is it more likely than not that we will be required to sell these investments prior to a recovery of par value, we do not consider these investments to be other-than temporarily impaired as of October 25, 2013.

The following table presents the contractual maturities of our debt investments as of October 25, 2013 (in millions):

	Amortized Cost	Fair Value
Due in one year or less	\$1,130.1	\$1,131.9
Due in one through five years	1,871.7	1,880.3
Due after ten years*	41.9	39.5
	<u>\$3,043.7</u>	<u>\$3,051.7</u>

* Consists of auction rate securities (ARS) which have contractual maturities of greater than 10 years.

Fair Value of Financial Instruments

The following table summarizes our financial assets and liabilities measured at fair value on a recurring basis as of October 25, 2013 (in millions):

	Total	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Corporate bonds	\$2,568.5	\$ 0.0	\$ 2,568.5	\$ 0.0
U.S. Treasury and government debt securities	278.6	176.4	102.2	0.0
Commercial paper	151.7	0.0	151.7	0.0
Certificates of deposit	185.1	0.0	185.1	0.0
Auction rate securities	39.5	0.0	0.0	39.5
Equity funds	31.6	31.6	0.0	0.0
Foreign currency contracts	1.2	0.0	1.2	0.0
Total	<u>\$3,256.2</u>	<u>\$ 208.0</u>	<u>\$ 3,008.7</u>	<u>\$ 39.5</u>
Liabilities				
Foreign currency contracts	\$ 4.4	\$ 0.0	\$ 4.4	\$ 0.0

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The following table summarizes the balance sheet classifications of our financial assets and liabilities measured at fair value on a recurring basis as of October 25, 2013 (in millions):

	Total	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Cash equivalents	\$ 171.7	\$ 0.0	\$ 171.7	\$ 0.0
Short-term investments	3,012.2	176.4	2,835.8	0.0
Other current assets	5.1	3.9	1.2	0.0
Other non-current assets	67.2	27.7	0.0	39.5
Total	<u>\$3,256.2</u>	<u>\$ 208.0</u>	<u>\$ 3,008.7</u>	<u>\$ 39.5</u>
Liabilities				
Other current liabilities	<u>\$ 4.4</u>	<u>\$ 0.0</u>	<u>\$ 4.4</u>	<u>\$ 0.0</u>

Level 2 investments are held by a custodian who prices some of the investments using standard inputs in various asset price models or obtains investment prices from a third-party pricing provider that incorporates standard inputs in various asset price models. 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 providers' 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 financial instruments. As of October 25, 2013, we have not made any adjustments to the prices obtained from our third-party pricing providers.

Quantitative information about our Level 3 fair value measurements is as follows (fair value in millions):

	Estimated Fair Value as of October 25, 2013	Valuation Techniques	Unobservable Inputs	Range (Weighted average)
ARS	\$ 39.5	Discounted cash flow	Time-to-economic maturity Liquidity risk premium, market credit spread and other factors Coupon rate	6.7 yrs. – 10.9 yrs. (8.3 yrs.) 1.7% - 3.6% (2.5%) 1.1% - 2.7% (1.9%)
		Market comparable securities	Discount rate	2.2% - 9.2% (5.4%)

All of our ARS are classified as other non-current assets and are backed by pools of student loans guaranteed by the U.S. Department of Education. We estimate the fair value of each individual ARS using an income (discounted cash flow) and market approach that incorporate both observable and unobservable inputs. Key inputs into the discounted cash flow analysis include the time-to-economic maturity, liquidity risk premium, market credit spread and other factors, and a coupon rate. The key input into the market approach is a discount rate. A significant increase (decrease) in the time-to-economic maturity, liquidity risk premium, market credit spread and other factors, coupon rate or discount rate could result in a significantly lower (higher) fair value estimate. We review the fair value of our Level 3 financial instruments for overall reasonableness by reviewing service provider pricing methodologies, key inputs and assumptions and by understanding the processes used by our third-party service provider. We will continue to monitor our ARS investments in light of the debt market environment and evaluate these investments for impairment and classification.

The table below provides a reconciliation of the beginning and ending balance of our Level 3 ARS measured at fair value on a recurring basis using significant unobservable inputs (in millions):

	Three Months Ended		Six Months Ended	
	October 25, 2013	October 26, 2012	October 25, 2013	October 26, 2012
Balance at beginning of period	\$ 42.2	\$ 46.3	\$ 42.0	\$ 51.0
Total unrealized gains (losses), net included in other comprehensive income (loss)	(0.4)	0.2	(0.2)	0.5
Total realized gains included in earnings	0.7	0.0	0.7	0.0
Sales	(3.0)	0.0	(3.0)	0.0
Settlements	(0.0)	(0.0)	(0.0)	(5.0)
Balance at end of period	<u>\$ 39.5</u>	<u>\$ 46.5</u>	<u>\$ 39.5</u>	<u>\$ 46.5</u>

[Table of Contents](#)**Fair Value of Debt**

As of October 25, 2013, the fair value of our 2.00% Senior Notes and 3.25% Senior Notes (collectively referred to as Senior Notes) was approximately \$989.6 million. The fair value of our debt was based on observable market prices in a less active market and discounted cash flow models that take into consideration variables such as credit-rating and interest rate changes. All of our debt obligations are categorized as Level 2 instruments.

8. Financing Arrangements**Long-term Debt**

The following table summarizes the carrying value of our long-term debt (in millions):

	October 25, 2013		April 26, 2013	
	Amount	Effective Interest Rate	Amount	Effective Interest Rate
2.00% Senior Notes due 2017	\$ 750.0	2.25%	\$ 750.0	2.25%
3.25% Senior Notes due 2022	250.0	3.43%	250.0	3.43%
1.75% Convertible Notes due 2013	0.0	N/A	1,264.9	6.31%
Total principal amount	1,000.0		2,264.9	
Less: Unamortized discount	(5.0)		(12.5)	
Total debt	995.0		2,252.4	
Less: Current portion	(0.0)		(1,257.8)	
Total long-term portion	<u>\$ 995.0</u>		<u>\$ 994.6</u>	

N/A - Not Applicable

Senior Notes

Our Senior Notes, issued in December 2012, are unsecured, unsubordinated obligations, which pay interest semi-annually on June 15 and December 15 and rank equally in right of payment with any future senior unsecured indebtedness. Interest expense associated with the Senior Notes was \$6.2 million and \$12.5 million for the three and six months ended October 25, 2013, respectively.

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 at 101% of their aggregate principal amount, plus accrued and unpaid interest to the date of repurchase. 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 sale and lease-back transactions; and to consolidate, merge or sell all or substantially all of our assets. As of October 25, 2013, we were in compliance with all covenants associated with the Senior Notes.

1.75% Convertible Senior Notes due 2013

On June 10, 2008, we issued \$1,265.0 million aggregate principal amount of 1.75% Convertible Senior Notes (the Convertible Notes) with a maturity date of June 1, 2013. The Convertible Notes were unsecured, unsubordinated obligations of the Company and paid interest in cash semi-annually at a rate of 1.75% per annum. 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 4.9 million shares of common stock for the \$178.9 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 \$1,017.0 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 \$248.0 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, \$5.2 million of the issuance costs was allocated to the equity component of the Convertible Notes, and \$21.4 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.

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Convertible Note Hedges and Warrants

Concurrent with the issuance of the Convertible Notes, we purchased Convertible Note hedges and sold warrants. The separate Convertible Note hedge and warrant transactions were structured to reduce the potential future economic dilution associated with the conversion of the Convertible Notes.

- **Convertible Note Hedges:** As of April 26, 2013, we had arrangements with counterparties to buy up to approximately 31.8 million shares of our common stock, at a price of \$31.85 per share. In June 2013, concurrent with the repayment and conversion of the Convertible Notes, we exercised the Convertible Note hedges that were net settled for an aggregate of 3.9 million shares from the counterparties.
- **Warrants:** As of April 26, 2013, we had outstanding warrants for certain counterparties to acquire 39.7 million shares of our common stock at an exercise price of \$41.28 per share. The warrants were exercisable on a series of days commencing on September 3, 2013 and ending on October 28, 2013. The number of warrants and exercise price were adjusted in July 2013 to 39.9 million and \$41.12 per share, respectively, to reflect our July 2013 dividend. On October 17, 2013, the exercise price of the warrants then outstanding was further adjusted to \$40.97 per share to reflect our October 2013 dividend. Through October 25, 2013, 31.9 million warrants were exercised and net settled with 1.1 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 the respective exercise dates. The remaining warrants had an exercise price greater than the market price and expired unexercised by October 28, 2013.

Interest Expense on Convertible Notes

The following table presents the amount of interest expense related to the Convertible Notes (in millions):

	<u>Three Months Ended</u>	<u>Six Months Ended</u>	
	<u>October 26, 2012</u>	<u>October 25, 2013</u>	<u>October 26, 2012</u>
Contractual coupon interest expense	\$ 5.5	\$ 2.5	\$ 11.0
Amortization of debt discount	13.6	7.1	27.1
Amortization of debt issuance costs	1.2	0.6	2.4
Less capitalized interest	(0.6)	0.0	(1.1)
Total interest expense related to Convertible Notes	\$ 19.7	\$ 10.2	\$ 39.4

No interest expense related to the Convertible Notes was recognized in the three months ended October 25, 2013 due to their maturity.

Debt Maturities

As of October 25, 2013, our aggregate future principal debt maturities are as follows (in millions):

<u>Fiscal Year</u>	<u>Amount</u>
2018	\$ 750.0
Thereafter	250.0
Total	\$1,000.0

Credit Facility

In December 2012, we entered into a credit agreement with a syndicated group of lenders that provides for an unsecured \$250.0 million revolving credit facility that is comprised of revolving loans, Eurocurrency loans and/or swingline loans. The credit facility includes a \$100.0 million foreign currency sub-facility, a \$50.0 million letter of credit sub-facility and a \$10.0 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 \$100.0 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 terminates on December 21, 2017 if no extensions have been requested and 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 October 25, 2013, no borrowings were outstanding under the facility and we were in compliance with all covenants associated with the facility.

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Other Long-Term Financing Arrangements

The following presents the amounts due under other long-term financing arrangements (in millions):

	October 25, 2013	April 26, 2013
Current portion of other long-term financing arrangements	\$ 7.1	\$ 5.2
Non-current portion of other long-term financing arrangements	9.5	5.6
Total	\$ 16.6	\$ 10.8

9. Stockholders' Equity

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 as of April 26, 2013	19.2	\$ 31.27		
Granted	2.7	38.14		
Exercised	(4.4)	25.90		
Forfeited and expired	(0.7)	40.85		
Outstanding as of October 25, 2013	<u>16.8</u>	33.37	3.64	\$ 139.5
Vested and expected to vest as of October 25, 2013	16.2	33.23	3.55	137.4
Exercisable as of October 25, 2013	11.8	31.18	2.73	121.6

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, except per share information):

	Three Months Ended		Six Months Ended	
	October 25, 2013	October 26, 2012	October 25, 2013	October 26, 2012
Weighted-average fair value per share granted	\$ 10.49	\$ 12.40	\$ 9.86	\$ 10.86
Intrinsic value of exercises	\$ 33.0	\$ 10.4	\$ 60.4	\$ 15.8
Proceeds received from exercises	\$ 56.4	\$ 12.8	\$ 113.2	\$ 19.5
Fair value of options vested	\$ 13.4	\$ 15.1	\$ 25.4	\$ 29.5

Restricted Stock Units

The following table summarizes activity related to our restricted stock units (RSUs) (in millions, except for fair value):

	Number of Shares	Weighted- Average Grant Date Fair Value
Outstanding as of April 26, 2013	12.8	\$ 38.36
Granted	5.9	38.58
Vested	(3.0)	36.74
Forfeited	(1.1)	39.39
Outstanding as of October 25, 2013	<u>14.6</u>	<u>38.70</u>

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RSUs are converted into common stock upon vesting. 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):

	Three Months Ended		Six Months Ended	
	October 25, 2013	October 26, 2012	October 25, 2013	October 26, 2012
Shares withheld for taxes	0.1	0.1	1.0	0.7
Fair value of shares withheld	\$ 4.0	\$ 2.8	\$ 39.3	\$ 22.6

Employee Stock Purchase Plan

Under the Employee Stock Purchase Plan (ESPP), employees who elect to participate are granted purchase rights that include a purchase price adjustment provision under which the employees may purchase common stock at a 15% discount from the market value of the common stock at certain specified dates within a two-year offering period. Information related to the purchase rights issued under the ESPP is provided below (in millions, except per right information):

	Six Months Ended	
	October 25, 2013	October 26, 2012
Weighted-average fair value per right granted	\$ 10.53	\$ 10.25
Shares issued under the ESPP	2.0	1.9
Proceeds from issuance of shares	\$ 49.9	\$ 48.2

Stock-Based Compensation Expense

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

	Three Months Ended		Six Months Ended	
	October 25, 2013	October 26, 2012	October 25, 2013	October 26, 2012
Cost of product revenues	\$ 1.4	\$ 1.5	\$ 2.7	\$ 3.3
Cost of service revenues	4.2	4.6	8.2	10.2
Sales and marketing	31.1	30.9	61.6	69.9
Research and development	21.6	19.3	43.0	43.0
General and administrative	9.3	8.7	18.4	17.8
Total stock-based compensation expense	\$ 67.6	\$ 65.0	\$ 133.9	\$ 144.2

As of October 25, 2013, total unrecognized compensation expense related to our equity awards was \$500.1 million, which is expected to be recognized on a straight-line basis over a weighted-average remaining service period of 2.6 years.

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

	Six Months Ended	
	October 25, 2013	October 26, 2012
Income tax benefit associated with employee stock transactions	\$ 1.8	\$ 28.2

Valuation Assumptions

The fair value of each stock option and ESPP purchase right is estimated on the grant date using the Black-Scholes option pricing model and the following weighted-average assumptions:

	Stock Options			
	Three Months Ended		Six Months Ended	
	October 25, 2013	October 26, 2012	October 25, 2013	October 26, 2012
Expected term in years	4.8	4.8	4.8	4.8
Risk-free interest rate	1.6%	0.6%	1.1%	0.6%
Volatility	32%	43%	34%	41%
Dividend yield	1.6%	0.0%	1.6%	0.0%

	ESPP	
	Six Months Ended	
	October 25, 2013	October 26, 2012
Expected term in years	1.2	1.2
Risk-free interest rate	0.2%	0.2%
Volatility	32%	38%
Dividend yield	1.6%	0.0%

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The weighted-average assumptions used to value RSUs are summarized as follows:

	Three Months Ended		Six Months Ended	
	October 25, 2013	October 26, 2012	October 25, 2013	October 26, 2012
Grant date fair value per share	\$ 40.13	\$ 31.91	\$ 38.58	\$ 29.31
Expected dividend	1.6%	0.0%	1.6%	0.0%

Prior to the initial declaration of a quarterly cash dividend on May 21, 2013, the fair value of RSUs was measured based on the grant date share price, as we did not historically pay cash dividends on our common stock. For awards granted on or subsequent to May 21, 2013, the fair value of RSUs was measured based on the grant date share price, less the present value of expected dividends during the vesting period, discounted at a risk-free interest rate.

Stock Repurchase Program

As of October 25, 2013, our Board of Directors has authorized the repurchase of up to \$7.1 billion of our common stock. Under this program, which may be suspended or discontinued 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 for the six months ended October 25, 2013 (in millions, except per share information):

Number of shares repurchased	25.3
Average price per share	\$ 39.57
Aggregate purchase price	\$1,000.0
Remaining authorization at end of period	\$2,006.3

The aggregate purchase price of our share repurchases for the six months ended October 25, 2013 consisted of \$750.0 million under an accelerated share repurchase agreement (ASR) and \$250.0 million of open market purchases, for which collectively \$386.3 million and \$613.7 million was allocated to additional paid-in capital and retained earnings, respectively.

During the six months ended October 25, 2013, we retired 104.3 million shares of common stock repurchased in prior years and previously reported as treasury stock, resulting in reductions of \$0.1 million in common stock (par value), \$614.0 million in additional paid-in capital and \$2,313.3 million in retained earnings.

Accelerated Share Repurchase Agreement

On June 5, 2013, we entered into a collared ASR with a counterparty under which we prepaid \$750.0 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. The contract was settled in July 2013. The total number of shares repurchased under this ASR was 19.2 million shares, at an average price per share of \$39.13. The value of the ASR forward contract was determined to be \$13.9 million, which has been recorded as additional paid-in capital.

Dividends

During the six months ended October 25, 2013, we declared and paid quarterly cash dividends of \$0.15 per share of outstanding common stock, or an aggregate of \$102.7 million. On November 13, 2013, we declared a cash dividend of \$0.15 per share of common stock, payable on January 22, 2014 to holders of record on January 9, 2014. No dividends were declared or paid during the six months ended October 26, 2012. The timing and amount of future dividends will depend on market conditions, corporate business and financial considerations and regulatory requirements.

Retained Earnings

A reconciliation of retained earnings for the six months ended October 25, 2013 is as follows (in millions):

Balance as of April 26, 2013	\$ 2,896.8
Net income	248.4
Repurchases of common stock	(613.7)
Retirement of treasury stock	(2,313.3)
Dividends	(102.7)
Balance as of October 25, 2013	<u>\$ 115.5</u>

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Accumulated Other Comprehensive Income

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

	Foreign Currency Translation Adjustments	Defined Benefit Obligation Adjustments	Unrealized Gains on Available- for-Sale Securities	Unrealized Gains (Losses) on Derivative Instruments	Total
Balance as of April 26, 2013	\$ 2.0	\$ (5.7)	\$ 11.4	\$ 1.0	\$ 8.7
Other comprehensive income (loss) (OCI) before reclassifications	3.6	0.2	(3.0)	(3.5)	(2.7)
Amounts reclassified from AOCI	0.0	0.0	(1.1)	1.4	0.3
Net OCI	3.6	0.2	(4.1)	(2.1)	(2.4)
Balance as of October 25, 2013	<u>\$ 5.6</u>	<u>\$ (5.5)</u>	<u>\$ 7.3</u>	<u>\$ (1.1)</u>	<u>\$ 6.3</u>

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

OCI Components	Three Months Ended		Six Months Ended		Statements of Operations Location
	October 25, 2013	October 26, 2012	October 25, 2013	October 26, 2012	
	Amounts Reclassified from AOCI		Amounts Reclassified from AOCI		
Realized gains on available-for-sale securities	\$ (1.0)	\$ (0.5)	\$ (1.1)	\$ (0.6)	Other income (expense), net
Realized losses (gains) on cash flow hedges	2.4	2.6	1.4	(1.9)	Net revenues
Total reclassifications	<u>\$ 1.4</u>	<u>\$ 2.1</u>	<u>\$ 0.3</u>	<u>\$ (2.5)</u>	

10. Derivatives and Hedging Activities

We use derivative instruments to manage exposures to foreign currency risk. All contracts have a maturity of less than six months. The notional amount of our outstanding U.S. dollar equivalent foreign currency exchange forward contracts consisted of the following (in millions):

	October 25, 2013	April 26, 2013
Cash Flow Hedges		
Forward contracts purchased	\$ 181.3	\$ 108.4
Balance Sheet Contracts		
Forward contracts sold	180.3	158.2
Forward contracts purchased	258.7	358.4

We have master netting arrangements in place 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 condensed consolidated balance sheets. The gross and net fair value amounts of such instruments were not material as of October 25, 2013 and April 26, 2013. We did not recognize any gains and losses in earnings due to hedge ineffectiveness for any period presented.

The effect of derivative instruments designated as cash flow hedges recognized in net revenues on our condensed consolidated statements of operations is presented in the condensed consolidated statements of comprehensive income and Note 9.

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

	Three Months Ended		Six Months Ended	
	October 25, 2013	October 26, 2012	October 25, 2013	October 26, 2012
	Gain (Loss) Recognized into Income			
Foreign currency exchange forward contracts	\$ 0.6	\$ (9.7)	\$ 0.8	\$ 6.2

11. Restructuring and Other Charges

In May 2013, we initiated a business restructuring plan under which we realigned internal resources, resulting in a reduction of our global workforce of approximately 7%. Restructuring and other charges during the six months ended October 25, 2013 consisted primarily of employee severance-related costs.

Activities related to this plan for the six months ended October 25, 2013 were as follows (in millions):

	Total
Net charges	\$ 49.5
Cash payments	(45.4)
Balance as of October 25, 2013	\$ 4.1

The reserve balance as of October 25, 2013 is included in accrued compensation and related benefits in our condensed consolidated balance sheet.

12. Income Taxes

Our effective tax rates for the periods presented were as follows:

	Six Months Ended	
	October 25, 2013	October 26, 2012
Effective tax rates	12.7%	14.1%

Our effective tax rates reflect the impact of a significant amount of our earnings being taxed in foreign jurisdictions at rates below the U.S. statutory tax rate.

As of October 25, 2013, we had \$199.8 million of unrecognized tax benefits, of which \$142.7 million has been recorded in other long-term liabilities. Unrecognized tax benefits of \$129.0 million, including penalties and interest, would affect our provision for income taxes if recognized. During the six months ended October 25, 2013, there was a gross increase in our unrecognized tax benefits of \$13.6 million for tax positions related to the current year, and a gross increase of \$1.0 million and gross decrease, including settlements and statute lapses, of \$4.4 million for tax positions related to prior years.

Our fiscal 2005 through 2007 income tax returns are currently under audit by the IRS. In September 2012, we reached a tentative agreement with the IRS field examination team on certain transfer pricing matters under appeals, and in July 2013, we received a revised Revenue Agent's Report (RAR) from the IRS. We are currently in the process of preparing for the review of the revised RAR by certain higher authorities within the IRS and the Joint Committee on Taxation. In February 2012, the IRS commenced an examination of our fiscal 2008 through fiscal 2010 income tax returns. Our open years in U.S. federal jurisdictions are fiscal 2005 and later years. In addition, we are effectively subject to federal tax examination adjustments for tax years ended on or after fiscal year 2000, in that we have tax attribute carryforwards from these years that could be subject to adjustments, if and when utilized. We are also currently under audit by the California Franchise Tax Board for our fiscal 2007 and 2008 income tax returns.

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.

We are in various stages of the examination and appeals process in connection with tax audits worldwide, and it is difficult to determine when these examinations will be settled. It is reasonably possible that over the next twelve-month period, we may experience an increase or decrease in unrecognized tax benefits. It is not possible to determine either the magnitude or the range of any increase or decrease at this time.

In April 2010, our Dutch subsidiary received a favorable tax ruling from the Dutch tax authorities effective May 1, 2010 that replaces the previous Dutch tax ruling that expired on April 30, 2010. This ruling results in both a lower level of earnings subject to tax in the Netherlands and an extension of the expiration date to April 30, 2015.

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13. Net Income per Share

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

	Three Months Ended		Six Months Ended	
	October 25, 2013	October 26, 2012	October 25, 2013	October 26, 2012
Numerator:				
Net income	\$ 166.8	\$ 109.6	\$ 248.4	\$ 173.4
Denominator:				
Shares used in basic computation	340.7	362.0	345.8	364.1
Dilutive potential shares related to employee equity award plans	7.5	5.2	7.2	5.1
Dilutive impact of assumed conversion of Convertible Notes	0.0	1.0	1.1	0.5
Dilutive impact of warrants	0.9	0.0	0.4	0.0
Shares used in diluted computation	349.1	368.2	354.5	369.7
Net Income per Share:				
Basic	\$ 0.49	\$ 0.30	\$ 0.72	\$ 0.48
Diluted	\$ 0.48	\$ 0.30	\$ 0.70	\$ 0.47

The following potential weighted-average shares of common stock have been excluded from the diluted net income per share calculations, as their effect would have been anti-dilutive (in millions):

	Three Months Ended		Six Months Ended	
	October 25, 2013	October 26, 2012	October 25, 2013	October 26, 2012
Employee equity award plans	7.2	16.3	6.9	17.1

14. Segment, Geographic, and Significant Customer Information

We operate in one industry segment: the design, manufacturing, marketing, and technical support of high-performance networked storage 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 its 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 using this internal management system 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):

	Three Months Ended		Six Months Ended	
	October 25, 2013	October 26, 2012	October 25, 2013	October 26, 2012
Americas (United States, Canada and Latin America)	\$ 899.2	\$ 897.3	\$ 1,757.7	\$ 1,698.4
Europe, Middle East and Africa	445.0	437.7	893.0	877.0
Asia Pacific	205.7	206.2	415.4	410.4
Net revenues	\$ 1,549.9	\$ 1,541.2	\$ 3,066.1	\$ 2,985.8

Americas revenues consist of Americas commercial and U.S. public sector revenues. Sales to customers inside the United States comprised \$800.7 million and \$797.6 million of Americas net revenues during the three months ended October 25, 2013 and October 26, 2012, respectively, and \$1,573.5 million and \$1,509.0 million of Americas net revenues during the six months ended October 25, 2013 and October 26, 2012, respectively. No single foreign country accounted for 10% or more of our net revenues for any period presented.

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

	October 25, 2013	April 26, 2013
United States	\$ 1,414.1	\$ 3,419.3
International	3,908.2	3,586.8
Total	\$ 5,322.3	\$ 7,006.1

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):

	October 25, 2013	April 26, 2013
United States	\$ 1,053.1	\$ 1,076.3
International	89.8	94.6
Total	\$ 1,142.9	\$ 1,170.9

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

	Three Months Ended		Six Months Ended	
	October 25, 2013	October 26, 2012	October 25, 2013	October 26, 2012
Arrow Electronics, Inc. ⁽¹⁾	23%	21%	22%	19%
Avnet, Inc. ⁽¹⁾	16%	15%	16%	15%

⁽¹⁾ Net revenues for Arrow Electronics, Inc. for the three and six months ended October 26, 2012 have been corrected from 20% and 18%, respectively, previously disclosed to 21% and 19%, respectively. Net revenues for Avnet, Inc. for the six months ended October 26, 2012 have been corrected from 14% previously disclosed to 15%.

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

	October 25, 2013	April 26, 2013
Arrow Electronics, Inc.	15%	16%
Avnet, Inc.	10%	14%

15. Commitments and Contingencies

Operating Lease Commitments

As of October 25, 2013, future annual minimum lease payments under non-cancelable operating leases with an initial term in excess of one year totaled \$215.7 million.

Purchase Orders and Other Commitments

In the normal course of business we make commitments to our 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. We establish accruals for estimated losses on purchased components to the extent we believe it is probable that such components will not be utilized in future operations. To the extent that such forecasts are not achieved, our commitments and associated accruals may change. As of October 25, 2013, we had \$306.8 million in non-cancelable purchase commitments with our contract manufacturers. In addition, we recorded a liability for firm, non-cancelable and unconditional purchase commitments with contract manufacturers for quantities in excess of our future demand forecasts through a charge to cost of product sales. As of October 25, 2013 and April 26, 2013, such liability amounted to \$10.9 million and \$9.5 million, respectively, and is included in other current liabilities in our condensed consolidated balance sheets.

In addition to commitments with contract manufacturers and component suppliers, we have open purchase orders and contractual obligations associated with our ordinary course business for which we have not received goods or services. As of October 25, 2013, we had \$33.6 million in capital purchase commitments and \$202.4 million in other purchase commitments.

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Product Warranties

We provide customers a warranty on software of ninety days to five years and a warranty on hardware of one to five years. The following table summarizes our warranty reserves (in millions):

	Three Months Ended		Six Months Ended	
	October 25, 2013	October 26, 2012	October 25, 2013	October 26, 2012
Beginning balance	\$ 119.8	\$ 96.5	\$ 117.2	\$ 83.1
Expense accrued during the period	14.3	27.1	38.3	50.8
Warranty costs incurred	(18.1)	(11.8)	(39.5)	(22.1)
Ending balance	<u>\$ 116.0</u>	<u>\$ 111.8</u>	<u>\$ 116.0</u>	<u>\$ 111.8</u>

Our warranty reserves were reported in our condensed consolidated balance sheets as follows (in millions):

	October 25, 2013	April 26, 2013
Other current liabilities	\$ 78.1	\$ 81.6
Other long-term liabilities	37.9	35.6
Total	<u>\$ 116.0</u>	<u>\$ 117.2</u>

Financing Guarantees

Some of our customers have entered into recourse and non-recourse financing leasing arrangements using third-party financing companies, and in some situations, we enter into customer financing arrangements for our products and services that are contemporaneously sold on a recourse or non-recourse basis to third-party financing 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. These arrangements are generally collateralized by a security interest in the underlying assets. Under the terms of the nonrecourse leases, we do not have any continuing obligations or liabilities to the third-party financing companies. 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.

The following schedule of financing guarantees represents the total maximum potential future payments under financing arrangements with third parties, and the related deferred revenue (in millions):

	October 25, 2013	April 26, 2013
Maximum guaranteed payment contingencies	\$ 215.6	\$ 182.4
Deferred revenue associated with financing guarantees	(199.0)	(168.6)
Maximum potential future payments relating to financing guarantees, net of associated deferred revenue	<u>\$ 16.6</u>	<u>\$ 13.8</u>

To date, we have not experienced material losses under our lease financing programs or other financing arrangements.

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 October 25, 2013 related to such matters as they are not probable and/or reasonably estimable.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Forward-Looking Statements

This Quarterly Report on Form 10-Q 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 strategies;
- our beliefs and objectives for future operations, research and development;
- political, economic and industry trends;
- expected timing of, and benefits from, product introductions, developments, enhancements and acceptance;
- expected benefits from acquisitions 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 and 3.25% Senior Notes due on December 15, 2022 (collectively referred to as the Senior Notes);
- 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:

- our ability to accurately forecast demand for our products and services, and future financial performance;
- our ability to understand, and effectively respond to changes affecting, our market environment, products, technologies and customer requirements;
- the overall growth and structure of the data storage industry;
- general global political, macroeconomic and market conditions;
- disruptions in our supply chain, which could limit our ability to ship products to our customers in the amounts and at the prices forecasted;
- failure of our products and services to meet our customers’ quality requirements, including, without limitation, any epidemic failure event relating to our products installed by our customers in their systems;

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- our ability to maintain our gross profit margins;
- our ability to successfully manage our backlog;
- the quality of our strategy and our ability to successfully execute on the same, including, without limitation, our organic and acquisition-related growth strategies;
- our ability to effectively integrate acquired businesses, products and technologies;
- our ability to timely and successfully introduce, and increase volumes of new products and services, and to forecast demand and pricing for the same;
- our ability to design, manufacture and market products meeting global environmental standards;
- the impact of industry consolidation, affecting our suppliers, competitors, partners and customers;
- our ability to successfully recruit and retain critical employees and to manage our investment in people, process and systems;
- our ability to maintain our customer, partner, supplier and contract manufacturer relationships on favorable terms and conditions;
- the actions of our competitors, most of which are larger and have greater financial and other resources than we have, 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;
- our ability to grow direct and indirect sales and to efficiently provide global service and support;
- the availability of acceptable financing to support our future cash requirements;
- valuation and liquidity of our investment portfolio;
- the results of our ongoing litigation, tax audits, government audits, inquiries and investigations; and
- those factors discussed under the heading “Risk Factors” elsewhere in this Quarterly Report on Form 10-Q.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof and are based upon information available to us at this time. These statements are not guarantees of future performance. 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.

Overview

Financial Results and Key Performance Metrics Overview

The following table provides an overview of some of our key financial metrics (in millions, except per share amounts, percentages and days sales outstanding):

	Three Months Ended		Six Months Ended	
	October 25, 2013	October 26, 2012	October 25, 2013	October 26, 2012
Net revenues	\$ 1,549.9	\$ 1,541.2	\$ 3,066.1	\$ 2,985.8
Gross profit	\$ 965.2	\$ 913.9	\$ 1,874.8	\$ 1,764.0
Gross profit margin percentage	62.3%	59.3%	61.2%	59.1%
Income from operations	\$ 186.9	\$ 135.3	\$ 283.8	\$ 215.5
Income from operations as a percentage of net revenues	12.1%	8.8%	9.3%	7.2%
Net income	\$ 166.8	\$ 109.6	\$ 248.4	\$ 173.4
Diluted income per share	\$ 0.48	\$ 0.30	\$ 0.70	\$ 0.47
Operating cash flows	\$ 362.5	\$ 336.4	\$ 648.3	\$ 565.6
Deferred revenue			October 25, 2013	April 26, 2013
Days sales outstanding (DSO)			\$ 2,931.9	\$ 3,009.5
			35	42

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1.75% Convertible Notes and Hedges

In June 2013, we settled our Convertible Notes. Upon conversion, we repaid the principal amount of \$1.3 billion and issued an aggregate of 4.9 million shares of common stock for the excess of the conversion value over the principal amount of the Convertible Notes. Concurrently, we exercised our Convertible Note hedges, for which we received 3.9 million shares from the counterparties.

Dividends and Stock Repurchase Program Activity

In May 2013, our Board of Directors approved a \$1.6 billion increase to our stock repurchase program under which during the six months ended October 25, 2013 we repurchased 25.3 million shares of our common stock at an average price of \$39.57 per share, for an aggregate of \$1.0 billion. We also declared quarterly cash dividends of \$0.15 per share of common stock in fiscal 2014, for which we paid an aggregate of \$102.7 million during the six months ended October 25, 2013.

Restructuring and Other Charges

In May 2013, we initiated a business restructuring plan under which we realigned internal resources, resulting in a reduction of our global workforce by approximately 7%, for which we have recognized \$49.5 million of employee severance costs in the six months ended October 25, 2013.

Critical Accounting Policies and Estimates

Our condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which require management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, net revenue 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 under Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the fiscal year ended April 26, 2013. 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. There have been no material changes to the critical accounting policies and estimates as filed in such report.

New Accounting Standards

See Note 3 of the accompanying condensed consolidated financial statements for a full description of new accounting pronouncements, including the respective expected dates of adoption and effects on results of operations and financial condition.

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Results of Operations

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

	Three Months Ended		Six Months Ended	
	October 25, 2013	October 26, 2012	October 25, 2013	October 26, 2012
Revenues:				
Product	61.6%	64.6%	61.5%	63.4%
Software entitlements and maintenance	15.0	14.2	15.0	14.7
Service	23.4	21.2	23.5	21.9
Net revenues	100.0	100.0	100.0	100.0
Cost of revenues:				
Cost of product	27.3	31.0	28.4	31.1
Cost of software entitlements and maintenance	0.5	0.4	0.5	0.5
Cost of service	9.9	9.3	9.9	9.3
Gross profit	62.3	59.3	61.2	59.1
Operating expenses:				
Sales and marketing	30.9	31.7	30.9	32.5
Research and development	14.7	14.5	14.9	14.9
General and administrative	4.5	4.3	4.5	4.5
Restructuring and other charges	0.1	—	1.6	—
Total operating expenses	50.2	50.5	51.9	51.9
Income from operations	12.1	8.8	9.3	7.2
Other income (expense), net	0.3	(0.5)	—	(0.4)
Income before income taxes	12.4	8.3	9.3	6.8
Provision for income taxes	1.6	1.2	1.2	1.0
Net income	10.8%	7.1%	8.1%	5.8%

Discussion and Analysis of Results of Operations

Overview

Net revenues for the three and six months ended October 25, 2013 were \$1,549.9 million, up \$8.7 million, or 1%, and \$3,066.1 million, up \$80.3 million, or 3%, respectively, compared to the prior year. The increase for the three months ended October 25, 2013 was primarily due to increases in hardware maintenance contract and software entitlements and maintenance (SEM) revenues, partially offset by a decrease in product revenues. The increase for the six months ended October 25, 2013 was primarily due to increases in hardware maintenance contract and SEM revenues.

Gross profit as a percentage of revenue increased 3% and 2% during the three and six months periods ended October 25, 2013, respectively, compared to the same period in the prior year, primarily due to lower unit materials costs due to supply chain efficiencies, and in the six months ended October 25, 2013, higher average selling price (ASP) for total configured systems. Additionally, gross profit was favorably impacted by changes in the mix between platforms and lower OEM revenues.

Sales and marketing, research and development, and general and administrative expenses for the three and six months ended October 25, 2013 totaled \$777.2 million and \$1,541.5 million, a decrease of 1% and 2%, respectively, as a percentage of revenue compared to the same periods in the prior year, reflecting cost control programs implemented in fiscal 2014.

Net Revenues (in millions, except percentages):

	Three Months Ended			Six Months Ended		
	October 25, 2013	October 26, 2012	% Change	October 25, 2013	October 26, 2012	% Change
Net revenues	\$ 1,549.9	\$ 1,541.2	1%	\$ 3,066.1	\$ 2,985.8	3%

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The increase in net revenues for the three months ended October 25, 2013 was primarily due to increases in service and SEM revenues of \$36.8 million and \$12.4 million, respectively, partially offset by a decrease in product revenues of \$40.5 million. The decrease in product revenue was due to a \$57.4 million decrease in OEM product revenue, partially offset by a \$16.9 million increase in branded product revenue. Product revenues comprised 62% of net revenues for the three months ended October 25, 2013 compared to 65% of net revenues for the three months ended October 26, 2012.

The increase in net revenues for the six months ended October 25, 2013 was primarily due to increases in service and SEM revenues of \$65.6 million and \$22.4 million, respectively, partially offset by a decrease in product revenues of \$7.7 million. The decrease in product revenue was due to a \$99.5 million decrease in OEM product revenue, mostly offset by a \$91.8 million increase in branded product revenue. Product revenues comprised 62% of net revenues for the six months ended October 25, 2013 compared to 63% of net revenues for the six months ended October 26, 2012.

Sales through our indirect channels represented 83% and 81% of net revenues for the three and six months ended October 25, 2013, respectively, compared to 82% and 80% of net revenues for the three and six months ended October 26, 2012. Included in indirect channel sales were \$151.1 million and \$317.6 million of OEM revenue during the three and six months ended October 25, 2013, respectively, compared to \$209.6 million and \$418.5 million during the three and six months ended October 26, 2012, respectively.

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

	Three Months Ended		Six Months Ended	
	October 25, 2013	October 26, 2012	October 25, 2013	October 26, 2012
Arrow Electronics, Inc. ⁽¹⁾	23%	21%	22%	19%
Avnet, Inc. ⁽¹⁾	16%	15%	16%	15%

⁽¹⁾ Net revenues for Arrow Electronics, Inc. for the three and six months ended October 26, 2012 have been corrected from 20% and 18%, respectively, previously disclosed to 21% and 19%, respectively. Net revenues for Avnet, Inc. for the six months ended October 26, 2012 have been corrected from 14% previously disclosed to 15%.

Product Revenues (in millions, except percentages):

	Three Months Ended			Six Months Ended		
	October 25, 2013	October 26, 2012	% Change	October 25, 2013	October 26, 2012	% Change
Product revenues	\$ 955.3	\$ 995.8	(4)%	\$ 1,886.1	\$ 1,893.8	— %

Product revenues consist 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 \$549.1 million increased by \$12.5 million, or 2%, during the three months ended October 25, 2013 compared to the same period in the prior year, primarily due to an increase in the 3000 series systems revenues, partially offset by a decrease in the 2000 series systems revenues. Total configured systems unit volume increased 5% during the three months ended October 25, 2013 compared to the same period in the prior year. Unit volume of the 3000 series increased, while unit volume of the 2000 series systems decreased, reflecting a shift in demand of the older 2000 series systems to newer 3000 series systems. The ASP of total configured systems decreased during the three months ended October 25, 2013 compared to the same period in the prior year, with decreases in the 2000 and 3000 series ASPs.

Non-configured product revenues of \$406.0 million decreased \$53.1 million, or 12%, during the three months ended October 25, 2013 compared to the same period in the prior year. This decrease was primarily due to lower revenue from non-configured OEM products, which declined 29%.

Total configured system revenues of \$1,086.1 million increased by \$83.6 million, or 8%, during the six months ended October 25, 2013 compared to the same period in the prior year, due to revenue increases across all platforms, with the largest increases in the 6000 series systems. Total configured systems unit volume increased 7% during the six months ended October 25, 2013 compared to the same period in the prior year reflecting unit increases in all platforms. The ASP of total configured systems increased during the six months ended October 25, 2013 compared to the same period in the prior year, due to a higher ASP in our more highly configured 6000 series, partially offset by lower ASP in the 2000 and 3000 series.

Non-configured product revenues of \$799.9 million decreased \$91.4 million, or 10%, during the six months ended October 25, 2013 compared to the same period in the prior year. This decrease was primarily due to lower revenue from non-configured OEM products, which declined 26%.

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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. Disks are a significant component of our storage systems. Industry disk pricing has fallen every year; however, when supplies are constrained, disk prices may increase. To the extent that disk prices increase or decrease, we intend to pass along those price increases or decreases to our customers while working to maintain relatively constant profit margins on our disk drives. 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 Entitlements and Maintenance Revenues (in millions, except percentages):

	Three Months Ended			Six Months Ended		
	October 25, 2013	October 26, 2012	% Change	October 25, 2013	October 26, 2012	% Change
Software entitlements and maintenance revenues	\$ 231.8	\$ 219.4	6%	\$ 460.3	\$ 437.9	5%

SEM revenues are associated with contracts which entitle customers to receive unspecified product upgrades and enhancements on a when-and-if-available basis, as well as bug fixes and patch releases.

The increases in SEM revenues for both the three and six months ended October 25, 2013 were due to increases in the aggregate contract value of the installed base under SEM contracts, which is recognized as revenue ratably over the terms of the underlying contracts.

Service Revenues (in millions, except percentages):

	Three Months Ended			Six Months Ended		
	October 25, 2013	October 26, 2012	% Change	October 25, 2013	October 26, 2012	% Change
Service revenues	\$ 362.8	\$ 326.0	11%	\$ 719.7	\$ 654.1	10%

Service revenues include hardware maintenance, professional services, and educational and training services.

Hardware maintenance contract revenues comprised 76% of service revenues for each of the three and six months ended October 25, 2013, and 74% and 72% for the three and six months ended October 26, 2012, respectively. These revenues increased \$36.5 million, or 15%, and \$76.0 million, or 16% during the three and six months ended October 25, 2013, respectively, compared to the same periods in the prior year, as a result of increases in the installed base and aggregate contract values under service contracts. Professional services and educational and training services comprised 24% of service revenues for each of the three and six months ended October 25, 2013, and 26% and 28% of service revenues for the three and six months ended October 26, 2012, respectively.

Revenues by Geographic Area (in millions, except percentages):

	Three Months Ended			Six Months Ended		
	October 25, 2013	October 26, 2012	% Change	October 25, 2013	October 26, 2012	% Change
Americas (United States, Canada and Latin America)	\$ 899.2	\$ 897.3	— %	\$ 1,757.7	\$ 1,698.4	3%
Europe, Middle East and Africa	445.0	437.7	2%	893.0	877.0	2%
Asia Pacific	205.7	206.2	— %	415.4	410.4	1%
Net revenues	<u>\$ 1,549.9</u>	<u>\$ 1,541.2</u>		<u>\$ 3,066.1</u>	<u>\$ 2,985.8</u>	

Americas revenues consist of Americas commercial and U.S. public sector revenues. Sales to customers inside the United States comprised 89% of Americas net revenues during each of the three months ended October 25, 2013 and October 26, 2012, and 90% and 89% of Americas net revenues during the six months ended October 25, 2013 and October 26, 2012, respectively. No single foreign country accounted for 10% or more of our net revenues for any period presented.

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Cost of Revenues

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

Our gross profit is impacted by a variety of factors, including pricing changes, discounting practices, foreign currency, product configuration, unit volumes, customer mix, revenue mix, natural disasters and product material costs. Service gross profit is typically impacted by factors such as changes in the size of our installed base of products, as well as the timing of support service initiations and renewals, and incremental investments in our customer support infrastructure. If any of these factors that impact our gross profit are adversely affected, whether by economic uncertainties or for other reasons, our gross profit could decline.

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

	Three Months Ended			Six Months Ended		
	October 25, 2013	October 26, 2012	% Change	October 25, 2013	October 26, 2012	% Change
Cost of product revenues	\$ 423.3	\$ 477.3	(11)%	\$ 873.2	\$ 929.5	(6)%

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

	Three Months Ended Fiscal 2014 to Fiscal 2013 Percentage Change Points	Six Months Ended Fiscal 2014 to Fiscal 2013 Percentage Change Points
Materials cost	(9)	(4)
Warranty	(3)	(1)
Excess and obsolete inventory	—	(1)
Other	1	—
Total change	(11)	(6)

Cost of product revenues represented 44% and 46% of product revenues for the three and six months ended October 25, 2013, respectively, compared to 48% and 49% for the three and six months ended October 26, 2012, respectively.

Materials cost represented 83% of product costs for each of the three months ended October 25, 2013 and October 26, 2012, and decreased \$44.3 million from the prior year due to an overall decrease in average unit materials cost across all platforms, reflecting increased efficiencies in our supply chain and favorable configuration mix. This decrease was only partially offset by a 5% volume increase in configured systems, resulting in higher gross margins on products compared to the same period in the prior year. In addition, cost of product revenues were favorably impacted by a \$12.8 million decrease in hardware-related warranty expense in the three months ended October 25, 2013 compared to the same period in the prior year.

Materials cost represented 83% and 82% of product costs for the six months ended October 25, 2013 and October 26, 2012, respectively, and decreased \$39.6 million from the prior year due to an overall decrease in average unit materials cost across all platforms, reflecting increased efficiencies in our supply chain and favorable configuration mix. This decrease was only partially offset by a 7% volume increase in configured systems, resulting in higher gross margins on products compared to the same period in the prior year. In addition, cost of product revenues were favorably impacted by a \$12.6 million decrease in hardware-related warranty expense and an \$8.4 million decrease in inventory write-downs in the six months ended October 25, 2013 compared to the same period in the prior year.

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

	Three Months Ended			Six Months Ended		
	October 25, 2013	October 26, 2012	% Change	October 25, 2013	October 26, 2012	% Change
Cost of software entitlements and maintenance revenues	\$ 7.5	\$ 7.0	7%	\$ 15.0	\$ 13.6	10%

Cost of SEM revenues represented 3% of SEM revenues for all periods presented. Cost of SEM revenues increases are primarily due to higher volume subject to royalty costs.

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

	Three Months Ended			Six Months Ended		
	October 25, 2013	October 26, 2012	% Change	October 25, 2013	October 26, 2012	% Change
Cost of service revenues	\$ 153.9	\$ 143.0	8%	\$ 303.1	\$ 278.7	9%

Costs represented 42% and 44% of service revenues for the three months ended October 25, 2013 and October 26, 2012, respectively, and represented 42% and 43% of service revenues for the three months ended October 25, 2013 and October 26, 2012, respectively. Cost of service revenues increases are primarily due to increases in service logistics and contractor costs.

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 costs and employee incentive compensation plan costs.

Total compensation costs included in operating expenses were flat for the three and six months ended October 25, 2013 compared to the same periods in the prior year and the components within such costs did not fluctuate significantly.

Sales and Marketing (in millions, except percentages):

	Three Months Ended			Six Months Ended		
	October 25, 2013	October 26, 2012	% Change	October 25, 2013	October 26, 2012	% Change
Sales and marketing expenses	\$ 479.5	\$ 488.2	(2)%	\$ 947.3	\$ 971.1	(2)%

Sales and marketing expenses consist primarily of compensation costs, commissions, outside services, allocated facilities and information technology (IT) costs, advertising and marketing promotional expense and travel and entertainment expense. Sales and marketing expenses decreased due to the following:

	Three Months Ended Fiscal 2014 to Fiscal 2013 Percentage Change Points	Six Months Ended Fiscal 2014 to Fiscal 2013 Percentage Change Points
Compensation costs	—	(1)
Commissions	(1)	—
Outside services	(1)	(1)
Depreciation and amortization	(1)	(1)
Facilities and IT support costs	1	1
Total change	(2)	(2)

The decrease in compensation costs during the six months ended October 25, 2013 is primarily due to lower stock-based compensation expense compared to the same period in the prior year. The decrease in commissions expense during the three months ended October 25, 2013 is due to lower individual sales attainment. The decrease in outside services during the three and six months ended October 25, 2013 reflects lower spending for third party sales support. Depreciation and amortization expense decreased during the three and six months ended October 25, 2013 due to certain intangible assets becoming fully amortized during fiscal 2013. The increase in facilities and IT support costs reflect our investment in sales IT systems and infrastructure.

Research and Development (in millions, except percentages):

	Three Months Ended			Six Months Ended		
	October 25, 2013	October 26, 2012	% Change	October 25, 2013	October 26, 2012	% Change
Research and development expenses	\$ 228.2	\$ 223.8	2%	\$ 456.3	\$ 445.2	2%

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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. Research and development expense increased due to the following:

	Three Months Ended Fiscal 2014 to Fiscal 2013 Percentage Change Points	Six Months Ended Fiscal 2014 to Fiscal 2013 Percentage Change Points
Compensation costs	—	1
Depreciation	1	1
Other	1	—
Total change	<u>2</u>	<u>2</u>

The increase in compensation costs during the six months ended October 25, 2013 is primarily due to higher salaries and incentive compensation, partially offset by lower benefits. Depreciation expense during the three and six months ended October 25, 2013 increased due to higher levels of investment in engineering equipment.

We believe that our future performance will depend in large part on our ability to maintain and enhance our current product line, develop new products that achieve market acceptance, maintain technological competitiveness and meet an expanding range of customer requirements. We expect to continue to spend on current and future product development efforts, broaden our existing product offerings and introduce new products that expand our solutions portfolio.

General and Administrative (in millions, except percentages):

	Three Months Ended			Six Months Ended		
	October 25, 2013	October 26, 2012	% Change	October 25, 2013	October 26, 2012	% Change
General and administrative expenses	\$ 69.5	\$ 66.6	4%	\$ 137.9	\$ 132.2	4%

General and administrative expenses consist primarily of compensation costs, professional and corporate legal fees, outside services and allocated facilities and IT support costs. General and administrative expense increased due to the following:

	Three Months Ended Fiscal 2014 to Fiscal 2013 Percentage Change Points	Six Months Ended Fiscal 2014 to Fiscal 2013 Percentage Change Points
Compensation costs	4	3
Outside services	(2)	1
Professional and corporate legal fees	2	—
Total change	<u>4</u>	<u>4</u>

The increase in compensation costs for the three and six months ended October 25, 2013 reflects increases in average headcount compared to the same periods in the prior year. The fluctuations in outside services during the three and six months ended October 25, 2013 reflect spending levels on contractors and professional services. Professional and corporate legal fees were higher during the three months ended October 25, 2013 as a result of spending on various legal activities.

Restructuring and other charges (in millions, except percentages):

	Three Months Ended			Six Months Ended		
	October 25, 2013	October 26, 2012	% Change	October 25, 2013	October 26, 2012	% Change
Restructuring and other charges	\$ 1.1	\$ —	NM	\$ 49.5	\$ —	NM

NM - Not Meaningful

In May 2013, we initiated a business restructuring plan under which we realigned internal resources resulting in a reduction of our global workforce by approximately 7%. We recognized \$49.5 million of employee severance costs in connection with the plan in the six months ended October 25, 2013. We do not anticipate incurring a significant amount of future expenses related to this plan.

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Interest Income (in millions, except percentages):

	Three Months Ended			Six Months Ended		
	October 25, 2013	October 26, 2012	% Change	October 25, 2013	October 26, 2012	% Change
Interest income	\$ 8.5	\$ 11.0	(23)%	\$ 18.5	\$ 21.8	(15)%

The decrease in interest income during the three and six months ended October 25, 2013 was primarily due to a decrease in our investment portfolio as a result of the liquidation of some of our investments to repay our Convertible Notes and to support our stock repurchase activities.

Interest Expense (in millions, except percentages):

	Three Months Ended			Six Months Ended		
	October 25, 2013	October 26, 2012	% Change	October 25, 2013	October 26, 2012	% Change
Interest expense	\$ (6.5)	\$ (19.8)	(67)%	\$ (23.0)	\$ (39.7)	(42)%

Interest expense, including the amortization of debt discount and issuance costs, related to our Senior Notes and Convertible Notes was \$6.2 million and \$19.7 million for the three months ended October 25, 2013 and October 26, 2012, respectively. The decrease in interest expense reflects the maturity of our Convertible Notes in June 2013.

Interest expense related to our Senior Notes and Convertible Notes was \$12.5 million and \$10.2 million, respectively, for the six months ended October 25, 2013. Interest expense related to the Convertible Notes was \$39.4 million for the six months ended October 26, 2012. The decrease in interest expense reflects the maturity of our Convertible Notes in June 2013.

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

	Three Months Ended			Six Months Ended		
	October 25, 2013	October 26, 2012	% Change	October 25, 2013	October 26, 2012	% Change
Other income, net	\$ 3.3	\$ 1.2	175%	\$ 5.2	\$ 4.3	21%

The increase in other income, net for the three months ended October 25, 2013 compared to the same period in the prior period is primarily due to higher realized net gains on investments. The increase in other income, net for the six months ended October 25, 2013 compared to the same period in the prior year is primarily due to higher realized net gains on investments, partially offset by lower net foreign exchange gains.

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

	Three Months Ended			Six Months Ended		
	October 25, 2013	October 26, 2012	% Change	October 25, 2013	October 26, 2012	% Change
Provision for income taxes	\$ 25.4	\$ 18.1	40%	\$ 36.1	\$ 28.5	27%

Our effective tax rate for the three months ended October 25, 2013 was 13.2% compared to an effective tax rate of 14.2% for the three months ended October 26, 2012. Our effective tax rate for the six months ended October 25, 2013 was 12.7% compared to an effective tax rate of 14.1% for the six months ended October 26, 2012. 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 during the three and six months ended October 25, 2013 and October 26, 2012, respectively, were favorably impacted by the geographic mix of profits.

Our provision for income taxes increased for the three and six months ended October 25, 2013 compared to the prior year as a result of higher pre-tax income. Our effective tax rates decreased for the three and six months ended October 25, 2013 compared to the prior year primarily as a result of a higher discrete tax benefit from equity awards.

We continue to monitor the progress of various ongoing tax controversies and the impact, if any, of the expected tolling of the statute of limitations in various taxing jurisdictions, as further discussed in Note 12 of the accompanying condensed consolidated financial statements.

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As of October 25, 2013, we had \$199.8 million of unrecognized tax benefits, of which \$142.7 million has been recorded in other long-term liabilities. Unrecognized tax benefits of \$129.0 million, including penalties and interest, would affect our provision for income taxes if recognized. During the six months ended October 25, 2013, there was a gross increase in our unrecognized tax benefits of \$13.6 million for tax positions related to the current year, and a gross increase of \$1.0 million and gross decrease, including settlements and statute lapses, of \$4.4 million for tax positions related to prior years.

Liquidity and Capital Resources

The following sections discuss our principal liquidity requirements, as well as our sources and uses of cash flows on our liquidity and capital resources. 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 October 25, 2013.

Liquidity, Capital Resources and Cash Requirements

(\$ in Millions)	October 25, 2013	April 26, 2013
Cash and cash equivalents and short-term investments	\$ 5,272.7	\$ 6,952.6
Current portion of principal amount of Convertible Notes	—	1,264.9
Principal amount of Senior Notes	1,000.0	1,000.0
Debt as a % of stockholders' equity	24%	48%

The following is a summary of our cash flows:

(In Millions)	Six Months Ended	
	October 25, 2013	October 26, 2012
Net cash provided by operating activities	\$ 648.3	\$ 565.6
Net cash provided by (used in) investing activities	568.0	(32.8)
Net cash used in financing activities	(2,239.9)	(259.9)
Effect of exchange rate changes on cash and cash equivalents	7.0	(5.9)
Net increase (decrease) in cash and cash equivalents	\$ (1,016.6)	\$ 267.0

Cash Flows

As of October 25, 2013, our cash, cash equivalents and short-term investments decreased by \$1.7 billion from April 26, 2013, to \$5.3 billion. The decrease was primarily due to the repayment of the principal amount of our Convertible Notes of \$1.3 billion and \$1.0 billion in cash paid for the repurchase of our common stock, partially offset by \$0.6 billion of cash provided by operating activities. We derive our liquidity and capital resources primarily from our operating cash flows and from working capital. Accounts receivable days sales outstanding as of October 25, 2013 decreased to 35 days, compared to 42 days as of April 26, 2013, primarily due to collection activities. Working capital decreased by \$0.6 billion to \$4.0 billion as of October 25, 2013 as a result of a decrease of \$2.0 billion in current assets, primarily due to the net decrease in cash, cash equivalents and short-term investments, partially offset by a decrease of \$1.4 billion in current liabilities, primarily due to the maturity of our Convertible Notes.

Cash Flows from Operating Activities

During the six months ended October 25, 2013, we generated cash from operating activities of \$648.3 million. The primary sources of cash from operating activities during the six months ended October 25, 2013 consisted of net income of \$248.4 million, adjusted by depreciation and amortization of \$168.4 million and stock-based compensation of \$133.9 million.

Changes in assets and liabilities as of October 25, 2013 included the following:

- *Accounts receivable* decreased due to higher collections compared to the fourth quarter of fiscal 2013.
- *Accrued compensation and related benefits* decreased due to employee payouts related to fiscal year 2013 commissions and incentive compensation plans.
- *Deferred revenue* decreased due to a seasonal decrease in service contract activities.

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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 the six months ended October 25, 2013, we generated \$672.1 million from maturities and sales of investments, net of purchases, and paid \$107.5 million for capital expenditures.

Cash Flows from Financing Activities

During the six months ended October 25, 2013, we used \$1.3 billion for the principal repayment of our Convertible Notes and used \$1.0 billion for the repurchase of 25.3 million shares of our common stock.

Liquidity

Our principal sources of liquidity as of October 25, 2013 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 consist of the following (in millions):

	October 25, 2013	April 26, 2013
Cash and cash equivalents	\$ 2,260.5	\$ 3,277.1
Short-term investments	3,012.2	3,675.5
Total	<u>\$ 5,272.7</u>	<u>\$ 6,952.6</u>

As of October 25, 2013, \$1.4 billion of cash, cash equivalents and short-term investments were held in the United States, while \$3.9 billion was held in foreign countries. Most of the amounts held outside the United States can be repatriated to the United States but, under current law, would be subject to U.S. federal and state income taxes. If we were to repatriate foreign earnings for cash requirements in the United States, we would incur U.S. federal and state income taxes reduced by the current amount of our U.S. federal and state tax credit carry forwards. However, our intent is to keep these funds permanently reinvested outside of the United States, 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, invest in critical or complementary technologies, and service interest and principal payments on our debt.

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, 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 cash 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. We anticipate the cash used for future dividends and share repurchases will come from our domestic cash and cash generated from ongoing domestic operating activities. 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.

Our investment portfolio, including auction rate securities, 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 on our investment portfolio. Based on our ability to access our cash and short-term investments, our expected operating cash flows, and our other potential sources of cash, we do not anticipate that the lack of liquidity of these investments will impact our ability to fund working capital needs, capital expenditures, acquisitions, debt obligations or other cash requirements. We routinely monitor our financial exposure to both sovereign and non-sovereign borrowers and counterparties.

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Senior Notes

The following table summarizes the principal amount of our Senior Notes as of October 25, 2013 (in millions):

2.00% Senior Notes Due 2017	\$ 750.0
3.25% Senior Notes Due 2022	250.0
Total	<u>\$1,000.0</u>

Interest on the Senior Notes is payable semi-annually. For further information on the underlying terms, see Note 8 of the accompanying condensed consolidated financial statements.

Credit Facility

We have an unsecured \$250.0 million five-year revolving credit facility that terminates on December 21, 2017 if no extensions have been requested, 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 \$100.0 million and request two additional one-year extensions, subject to certain conditions. As of October 25, 2013, no borrowings were outstanding under the facility and we were in compliance with all covenants associated with the facility.

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 expect that our existing facilities and those being developed in North Carolina, California and India and other locations worldwide are adequate for our requirements over at least the next two years and that additional space will be available as needed. Our capital expenditures were \$107.5 million during the six months ended October 25, 2013. We anticipate capital expenditures for the remainder of fiscal 2014 to be between \$75.0 million and \$125.0 million.

Dividends and Share Repurchase Program

In November 2013, we declared a cash dividend of \$0.15 per share of common stock, payable on January 22, 2014 to holders of record as of the close of business on January 9, 2014.

As of October 25, 2013, our Board of Directors had authorized the repurchase of up to \$7.1 billion of our common stock under our stock repurchase program, including an increase of \$1.6 billion approved by our Board of Directors in May 2013. 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 October 25, 2013, we repurchased a total of 162.3 million shares of our common stock at an average price of \$31.53 per share, for an aggregate purchase price of \$5.1 billion. As of October 25, 2013, the remaining authorized amount for stock repurchases under this program was \$2.0 billion with no termination date. We plan to complete the program within the next three years including planned repurchases of \$1.0 billion by the end of May 2014.

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

Contractual Obligations

Operating Lease Commitments

As of October 25, 2013, future annual minimum lease payments under non-cancelable operating leases with an initial term in excess of one year totaled \$215.7 million.

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Purchase Orders and Other Commitments

In the normal course of business we make commitments to our 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. We establish accruals for estimated losses on purchased components to the extent we believe it is probable that such components will not be utilized in future operations. To the extent that such forecasts are not achieved, our commitments and associated accruals may change. As of October 25, 2013, we had \$306.8 million in non-cancelable purchase commitments with our contract manufacturers. In addition, we recorded a liability for firm, non-cancelable and unconditional purchase commitments with contract manufacturers for quantities in excess of our future demand forecasts through a charge to cost of product sales. As of October 25, 2013 and April 26, 2013, such liability amounted to \$10.9 million and \$9.5 million, respectively, and is included in other current liabilities in our condensed consolidated balance sheets.

In addition to 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 received goods or services. As of October 25, 2013, we had \$33.6 million in capital purchase commitments and \$202.4 million in other purchase commitments.

Unrecognized Tax Benefits

As of October 25, 2013, our liability for uncertain tax positions was \$146.1 million, including interest and penalties. Due to the uncertainty of the timing of future cash payments, we cannot make reasonably reliable estimates of the period of cash settlement with the taxing authorities.

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 15 to our condensed consolidated financial statements.

Off-Balance Sheet Arrangements

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 October 25, 2013, our financial guarantees of \$11.3 million that were not recorded on our consolidated balance sheet consisted of standby letters of credit related to workers' compensation, a customs guarantee, a corporate credit card program, foreign rent guarantees and surety bonds, which were primarily related to self-insurance.

In the ordinary course of business, some of our customers have entered into recourse and non-recourse financing leasing arrangements using third-party financing companies, and in some situations, we enter into customer financing arrangements for our products and services that are contemporaneously sold on a recourse or non-recourse basis to third-party financing companies. During 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. 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 October 25, 2013, the maximum guaranteed payment contingencies under our financing arrangements totaled \$215.6 million and the related deferred revenue totaled \$199.0 million.

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.

Item 3. 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 October 25, 2013, we had debt investments of \$3.1 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, commercial paper, certificates of deposit, U.S. Treasury securities and U.S. government agency securities, 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 October 25, 2013 would have resulted in a decrease in the fair value of our fixed-income securities of approximately \$34 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.

We are also exposed to market risk relating to our auction rate securities (ARS) due to uncertainties in the credit and capital markets. As of October 25, 2013, our holdings in these securities had a par value of \$41.9 million and an estimated fair value of \$39.5 million. The fair value of our ARS may change significantly due to events and conditions in the credit and capital markets. These securities/issuers could be subject to review for possible downgrade. Any downgrade in these credit ratings may result in an additional decline in the estimated fair value of our ARS. Changes in the various assumptions used to value these securities and any increase in the market's perceived risk associated with such investments may also result in a decline in the estimated fair value.

Debt — As of October 25, 2013, we have outstanding \$1.0 billion aggregate principal amount of Senior Notes. We carry these instruments at face value less unamortized discount on our condensed 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 8 of the accompanying consolidated financial statements for more information.

Credit Facility — We are exposed to the impact of changes in interest rates in connection with our \$250.0 million five-year revolving credit facility. Borrowings under the facility 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 the credit facility. As of October 25, 2013, no amounts were outstanding under the credit facility.

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.

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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 exchange contracts with creditworthy multinational commercial banks. All contracts have a maturity of less than six months.

The following table provides information about our U.S. dollar equivalent foreign currency exchange forward contracts outstanding on October 25, 2013 and April 26, 2013 (in millions):

	<u>October 25, 2013</u>	<u>April 26, 2013</u>
	Notional Contract Amount	Notional Contract Amount
Forward contracts sold	\$ 180.3	\$ 158.2
Forward contracts purchased	440.0	466.8

The fair value of these contracts did not differ materially from their notional contract amounts.

Item 4. Controls and Procedures.

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 Quarterly Report on Form 10-Q, 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 CEO and 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 conducted 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 October 25, 2013, the end of the fiscal period covered by this Quarterly Report on Form 10-Q (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.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) identified in connection with our evaluation that occurred during the second quarter of fiscal 2014 that has materially affected or is reasonably likely to materially affect our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings.

None

Item 1A. Risk Factors.

The following risk factors and other information included elsewhere in this Quarterly Report on Form 10-Q 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.

Continuing uncertain economic conditions restrict our visibility and may harm our operating results.

The continuing global economic uncertainty and related political and fiscal challenges in the U.S. and abroad (particularly the Eurozone) due to the debt and fiscal crises of recent years 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, affecting all participants in our industry, and the timing and nature of any ultimate resolution of these matters remain highly uncertain. Moreover, a significant portion of our sales are to Eurozone customers and, accordingly, we are particularly sensitive to developments in that region. Additionally, fiscal restraints have caused, and may in the future again cause, governments, including the U.S. government, to defer purchases in response to tighter budgets. Consequently, we expect these concerns to challenge our business for the foreseeable future, and potentially 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.

When and if the current macroeconomic and U.S. government fiscal challenges are resolved, we expect the risk of economic uncertainty to continue, with the potential to restrict our visibility and harm our operating results.

Our business may be harmed if growth in the storage market declines.

Our industry has experienced significant historical growth due to the continuing increase in the demand for storage by consumers, enterprises and government bodies around the world, and our customers' purchases of storage solutions to address this demand. While IT spending has fluctuated periodically due to technology transitions and changing economic and business environments, overall growth in demand for storage has continued. Recent technology trends, such as the emergence of hosted (or "cloud") storage, software as a service (SaaS) and mobile data access, are driving significant changes in storage architectures and solution requirements. The impact of these trends on overall long-term growth patterns is uncertain. Nevertheless, if the general level of historic industry growth, or if the growth of the specific markets in which we compete, were to decline, our business and results of operations could suffer.

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 Factor 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 would likely decline.

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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 indirectly through channel partners, including value-added resellers, systems integrators, distributors, original equipment manufacturers (OEMs) and strategic business partners. During the six months ended October 25, 2013, revenues generated from sales through our indirect channel accounted for 81% 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 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 or if they fail to comply with legal or regulatory requirements, our business and operating results could be harmed.

If we do not achieve forecasted bookings in any quarter our financial results will 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 will be harmed. Additionally, due to the complexities associated with revenue recognition, we may not be able to accurately forecast our non-deferred and deferred revenues, which could harm our operating results.

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 are fixed. It is difficult to reduce our fixed costs quickly, and if revenue levels are below our expectations, operating results will 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.

Any disruption to our supply chain could materially harm our business, results of operations 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 hard 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.

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We have encountered some of these risks, such as the 2011 Thailand floods, which subjected us to supply constraints, price increases and minimum purchase commitments, and expect to be subject to similar risks in the future. When we do, our business, results of operations 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.

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. 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.

Our gross margins vary.

Our gross margins reflect a variety of factors, including competitive pricing, component and product design, the volume and relative mixture of product, services and software entitlements and maintenance (SEM) 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, services and SEM revenue mixture or decreased volume could harm our revenues, gross margins or earnings. Our gross margins are also impacted by quality failures 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.

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 consolidation. We compete with many companies in the markets we serve. Over the last decade, the expansion of market opportunities by large, broad-portfolio technology companies, by vertical integration of storage products, technologies and services, such as the acquisition of Sun Microsystems by Oracle, and through internal and external storage-related corporate initiatives, by companies such as HP, Dell and IBM, has increased the number of large, diversified technology companies with which we compete. Accordingly, many of our key competitors have greater financial resources and offer a broad portfolio of IT products and services (full-stack vendors). These competitors typically maintain broad and deep relationships with customers and partners across a diverse portfolio of products and services. They may also be able to offer lower pricing (or other preferred terms) on storage system products due to these broader relationships. We believe further storage market expansion by large, diversified technology companies, in addition to any future industry consolidation, may result in stronger competitors that are better able to compete for customers as sole-source vendors. In addition, current and potential competitors have established or may establish strategic alliances among themselves or with third parties, including some of our partners. It is possible that new competitors or alliances among competitors may emerge and rapidly acquire significant market share. We may not be able to compete successfully against current or future competitors. Competitive pressures we face could harm our business and operating results. A detailed description of storage and software products we compete with is identified in the Business Section of our Annual Report on Form 10-K filed with the Securities and Exchange Commission on June 17, 2013.

There have been trends toward consolidation in the storage industry and market expansion by technology companies for several years, both of which have risks for us. Among other things, the last few years have witnessed considerable consolidation in the disk drive industry, an industry we depend upon for critical storage components. We expect this trend to continue as companies attempt to strengthen or hold their market positions in an evolving, maturing industry, as companies become unable to maintain their competitive positions or continue operations and as customers demand more flexible business models and terms. Disk drive and other component manufacturing industry consolidations may lead to higher component prices and supply constraints for us, which may, in turn, harm our operating results.

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Our OEM relationships may not generate significant revenues.

We have OEM relationships with several companies, which collectively accounted for 10% of our net revenue during the six months ended October 25, 2013. These OEMs market and sell their branded solutions based on our unified solutions, as well as associated software offerings. While these arrangements are part of our general strategy to expand our reach to more customers and into more countries, we do not have exclusive relationships with our OEMs, and there is no minimum commitment for any given period of time. We also compete with some of our OEMs, further complicating our relationships with them. Therefore, our relationships with these OEMs may not continue to generate significant revenues. In addition, we have no control over the products that the OEMs select to sell, or their release schedule and timing of those products; nor do we control their pricing.

If our OEM relationships increase, we may experience distribution channel conflicts between our direct sales force and the OEMs or among our channel partners. If we fail to minimize channel conflicts, or if our OEM relationships do not continue to generate significant revenues, our operating results and financial condition 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.

For the six months ended October 25, 2013, sales to distributors Arrow Electronics, Inc. and Avnet, Inc. accounted for 22% and 16%, respectively, of our net revenues. 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.

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 has become an important customer for us. However, government demand is uncertain, as it is subject to political and budgetary fluctuations and constraints. Recent events, such as the U.S. federal government shutdown in October 2013, and continued uncertainty regarding the U.S. budget and debt levels has increased demand uncertainty for our products. 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 revenues, operating results and financial position.

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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, financial condition and results of operations.

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. We take a variety of precautions to prevent our products from being shipped to U.S.-sanctioned targets; however, our products could be shipped to those targets by third parties, including potentially our channel partners, despite such precautions. For instance, media reports starting in November 2011 have asserted that certain of our products were delivered to Syria through a third-party possibly in violation of U.S. export-control laws. We have publicly stated that we condemn any use of our products or technologies in Syria, we have notified the U.S. government that we are conducting a review of these allegations, and intend to cooperate fully with any government inquiry. We have met with U.S. government officials, provided information at their request, and expressed our willingness to continue cooperating with any further inquiry or investigation. If we are 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 position. Even if we are not found to have violated such laws, the political and media scrutiny surrounding any governmental investigation of us could cause us significant financial and reputational harm and distract senior executives from managing our normal day-to-day operations, which could have a material and adverse impact on our business, operating results and financial position.

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 detailed description of these partnership relationships is identified in the Business Section of our Annual Report on Form 10-K filed with the Securities and Exchange Commission on June 17, 2013. A number of these strategic partners are industry leaders that offer us expanded access to segments of the storage and data management market. However, there is intense competition for attractive strategic partners, and these relationships may not be exclusive, may not generate significant revenues and may terminate 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 operating results and business.

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 (such as Rule 17(a)(4) of the Securities Exchange Act of 1934, as amended) 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 will not be able to expand our product offerings in these market and geographical segments at the rates which we have forecasted.

If our products are defective, 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, as we discuss in the next risk factor. 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, 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. We may be subject to 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.

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If we are unable to develop, introduce and gain market acceptance for clustered Data ONTAP 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 storage security 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 develop, introduce and gain customer acceptance for our clustered Data ONTAP-based products (cDOT). cDOT is our next generation storage operating system for our core products and represents a fundamental and revolutionary change to our solution architecture. Over time, our goal is to replace our existing technology Data ONTAP 7-Mode with cDOT and, consequently, we anticipate that a majority of our revenues will ultimately derive from cDOT. We face considerable challenges as we 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 some features for cDOT currently available with Data ONTAP 7 and potentially required by our customers, and maintaining service, support and customer relationships as we replace Data ONTAP-7 with cDOT.

Nevertheless, if we are unable, for technological, customer reluctance or other reasons, to develop, introduce and gain market acceptance for cDOT, or any other 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 also increase the complexities of forecasting revenues, and subject us to additional financial and operational risks. 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. 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.

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. For the six months ended October 25, 2013, our international revenues accounted for 49% of our total revenues. 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 position.

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 results of operations 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.

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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, financial condition or results of operations.

Changes in our effective tax rate or adverse outcomes resulting from examination of our income tax returns 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, and changes to the tax regulations 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. The President's administration and Congress have announced several proposals to reform U.S. tax rules, including proposals that may result in a reduction or elimination of the deferral of U.S. income tax on our future unrepatriated earnings. Should such anti-deferral provisions be enacted, our effective tax rate could be adversely affected.

We are currently undergoing income tax audits in the U.S. and several foreign tax jurisdictions, as described in Note 12 to our consolidated financial statements. The rights to some of our intellectual property (IP) are owned by certain of our foreign subsidiaries, and payments are made between U.S. and foreign tax jurisdictions relating to the use of this IP in a qualified cost sharing arrangement. In recent years, several other U.S. companies have had their foreign IP 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 current IRS audits or under audits being conducted in any of the other tax jurisdictions in which we operate results in an amount in excess of the tax provision we have recorded or reserved for, our operating results, cash flows and financial condition could be adversely affected.

Our international operations currently benefit from a tax ruling concluded in the Netherlands which expires on April 30, 2015 and results in a lower level of earnings subject to tax in the Netherlands. If we are unable to negotiate a similar tax ruling upon expiration of the current ruling, our effective tax rate could increase and our operating results could 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 and how the operations are managed and structured. The price of our common stock could decline to the extent that our financial results are materially affected by an adverse change in our effective tax rate.

Future issuances of common stock related to employee equity awards may adversely affect the trading price of our common stock.

Any new issuance of equity securities, including the issuance of shares issued in connection with employee equity awards could dilute the interests of our then-existing stockholders, and could substantially decrease the trading price of our common stock.

Our failure to pay quarterly dividends to our shareholders could cause the market price of our ordinary shares to decline significantly.

Our ability to pay quarterly dividends will be subject to, among other things, our financial position and results of operations, available cash and cash flow, capital requirements, and other factors. Any reduction or discontinuation of quarterly dividends could cause the market price of our ordinary shares to decline significantly. Moreover, in the event our payment of quarterly dividends is reduced or discontinued, our failure or inability to resume paying dividends at historical levels could result in a persistently low market valuation of our stock.

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

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. In fiscal 2011, we completed acquisitions of two technology companies. In fiscal 2012, we completed the acquisition of certain assets related to Engenio, and in fiscal 2013, we completed the acquisitions of CacheIQ and IonGrid. The benefits we expect to receive from these and other acquisitions depend on our ability to successfully conduct due diligence, negotiate the terms of acquisition and integrate the acquired business. Any inaccuracy in our acquisition assumptions, any failure to uncover liabilities or risks associated with the acquisition, any failure to make the acquisition on favorable terms, or any failure to integrate the acquired business or assets as and when expected, 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 results of operations or our business. The failure to achieve expected acquisition benefits may also result in impairment charges for goodwill and purchased intangible assets.

We are exposed to fluctuations in the market values of our portfolio investments and in interest rates; 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 more of our investments have experienced an other-than-temporary decline in fair value, requiring impairment charges that could adversely affect our financial results. For a summary of these investments and our management of the same, please see “Quantitative and Qualitative Disclosures About Market Risk” in this document.

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. While we monitor individual customer payment capability in granting such open credit arrangements, and seek to limit such open credit to amounts we believe are reasonable, 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 nonrecourse 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.

We expect demand for customer financing to continue. 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.

In the past, there have been bankruptcies by our customers to whom we had extended open credit, provided lease financing arrangements or guaranteed lease payments under full recourse lease arrangements. Such events have caused us to incur bad debt charges, in the case of financing arrangements have caused a loss of revenues, and in the case of recourse lease arrangements have caused us to make payments to third-party financiers. We may be subject to similar losses in future periods. Any future losses could harm our business and have a material adverse effect on our operating results and financial condition. Additionally, to the extent that the continuing turmoil in the credit markets makes it more difficult for customers to obtain open credit or lease financing, those customers' ability to purchase our products could be adversely impacted, which in turn could have a material adverse impact on our financial condition and operating results.

Any repatriation of our overseas cash to fund U.S. operations, strategic opportunities or debt service may subject us to a significant tax liability.

As of October 25, 2013, \$3.9 billion of cash, cash equivalents and short-term investments was held in foreign countries. Under current law, dividend repatriation of any of this cash would 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 expense. In any such case, our business, operating results or financial condition could be adversely impacted.

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

We have Senior Notes outstanding in an aggregate principal amount of \$1.0 billion that mature at specific dates in calendar 2017 and 2022. We have also established a revolving credit facility under which we may borrow an aggregate amount outstanding at any time of \$250.0 million, under which we had no borrowings outstanding as of October 25, 2013. 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, results of operations and financial condition will be harmed.

In addition, 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 may incur asset impairment and restructuring charges in response to changing market conditions or cost-cutting initiatives.

We may undertake cost savings initiatives in response to changes in market conditions and market demand for our products. These initiatives may include restructuring, disposing of, and/or otherwise discontinuing certain products, or both. 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. These charges would harm our operating results. We have previously recognized restructuring and other charges associated with these activities including \$49.5 million of restructuring charges recognized in the six months ended October 25, 2013. In addition to the costs associated with these activities, we may not realize any of the anticipated benefits of the same.

We could be harmed if we fail to manage our growth.

While we have historically grown rapidly, primarily through organic initiatives our acquisition activity has been ongoing and we expect to continue to look for opportunities to supplement our organic growth through strategic initiatives.

Our growth has at times led to both organizational change and strain. We may continue to experience rapid growth and organizational change, which may continue to place significant demands on our management, operational and financial resources and systems. We incur significant expenditures of funds and the allocation of management and other resources to manage our growth and assimilate new human resources in a manner that preserves the key aspects of our corporate culture and our reputation in the marketplace. We may experience periods when our pace of growth exceeds the capacity and capabilities of our organization and systems. If we do not effectively manage our growth through cost-effective organizational and system programs, our corporate culture could be undermined, the quality of our products and customer service could suffer, and our reputation could be harmed, each of which could adversely impact our business, financial condition and results of operations.

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 or results of operations.

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 and results of operations.

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

Our continued success depends, in part, on our ability to hire and retain qualified personnel. 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. Competition for qualified employees, particularly in Silicon Valley, is intense. The loss of the services of a significant number of our employees, particularly our engineers, salespeople and key managers, could be disruptive to our development efforts or business relationships 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, due to increased shareholder activism, heightened focus on corporate compensation practices, or increased scrutiny of the dilutive effects of such 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.

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

We depend on the ability of our personnel, raw materials, 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 information technology, or directly impact our marketing, manufacturing, financial and logistics functions, or impair our ability to meet our customer demands, our results of operations 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.

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

Our success depends significantly upon developing, maintaining and protecting 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 position.

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 market 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 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.

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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.

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. We exercise little control over how our clients use or maintain our products, and in some cases improper usage or maintenance could impair the performance of our products.

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 our security measures are breached 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 employees, 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. Security breaches could result in unauthorized access to, or loss or unauthorized disclosure of, such information, litigation, indemnity obligations, government investigations and other possible liabilities, as well as negative publicity, which could damage our reputation. Additionally, our clients and customers use our platforms for the transmission and storage of sensitive data. We do not regularly 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. Therefore, if employees, 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. 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.

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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 client confidence in the effectiveness of our data security measures, negatively impact our ability to attract new clients, cause existing clients 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, financial condition and results of operations.

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

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, and the potential requirement that U.S. registrants prepare financial statements in accordance with International Financial Reporting Standards (IFRS), 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 results of operations.

[Table of Contents](#)**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.***Purchases of equity securities*

The following table provides information with respect to the shares of common stock repurchased by us during the three months ended October 25, 2013:

<u>Period</u>	<u>Total Number of Shares Purchased</u> (Shares in thousands)	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Program (1)</u> (Shares in thousands)	<u>Approximate Dollar Value of Shares That May Yet Be Purchased Under The Repurchase Program (1)</u> (Dollars in millions)
July 27, 2013 – August 23, 2013	2,682	\$ 41.81	161,375	\$ 2,044.7
August 24, 2013 – September 20, 2013	920	\$ 41.70	162,295	2,006.3
September 21, 2013 – October 25, 2013	—	\$ —	162,295	2,006.3
Total	<u>3,602</u>	\$ 41.78	162,295	2,006.3

⁽¹⁾ As of October 25, 2013, our Board of Directors had authorized the repurchase of up to \$7.1 billion of our common stock under a stock repurchase program, including an increase of \$1.6 billion approved by our Board of Directors in May 2013. Since the May 13, 2003 inception of this program through October 25, 2013, we repurchased a total of 162.3 million shares of our common stock at an average price of \$31.53 per share, for an aggregate purchase price of \$5.1 billion. As of October 25, 2013, the remaining authorized amount for stock repurchases under this program was \$2.0 billion with no termination date. The stock repurchase program may be suspended or discontinued at any time.

Item 3. Defaults upon Senior Securities.

None

Item 4. Mine Safety Disclosures.

Not Applicable.

Item 5. Other Information.

None

Item 6. Exhibits.

See the Exhibit Index immediately following the signature page of this Quarterly Report on Form 10-Q.

SIGNATURE

Pursuant to the requirements 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.
(Registrant)

/s/ NICHOLAS R. NOVIELLO
Nicholas R. Noviello
Executive Vice President and
Chief Financial Officer

Dated: November 26, 2013

EXHIBIT INDEX

<u>Exhibit No</u>	<u>Description</u>	<u>Incorporation by Reference</u>			
		<u>Form</u>	<u>File No.</u>	<u>Exhibit</u>	<u>Filing Date</u>
3.1	Certificate of Incorporation of the Company, as amended.	—	—	—	—
3.2	Bylaws of the Company, as amended.	—	—	—	—
10.1	The Company's Amended and Restated 1999 Stock Option Plan, as amended and restated through July 31, 2013.	Proxy Statement	000-27130	Appendix A	August 2, 2013
10.2	The Company's Amended and Restated Employee Stock Purchase Plan, as amended effective July 31, 2013.	Proxy Statement	000-27130	Appendix B	August 2, 2013
10.3	Form of Stock Option Agreement approved for use under the Company's Amended and Restated 1999 Stock Option Plan.	—	—	—	—
10.4	Form of Restricted Stock Unit Agreement approved for use under the Company's Amended and Restated 1999 Stock Option Plan.	—	—	—	—
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	—	—	—	—

**CERTIFICATE OF AMENDMENT
OF
CERTIFICATE OF INCORPORATION
OF
NETAPP, INC.**

NetApp, Inc., a corporation organized and existing under the laws of the State of Delaware (the "Corporation"), hereby certifies as follows:

1. The name of the Corporation is NetApp, Inc. The Corporation was originally incorporated under the name "Network Appliance, Inc." The Corporation's original Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on November 1, 2001.

2. Article VI of the Corporation's Certificate of Incorporation is hereby amended to read in its entirety as follows:

"In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to make, repeal, alter, amend and rescind any or all of the Bylaws of the Corporation. In addition, the Bylaws may be amended by the affirmative vote of holders of at least a majority of the outstanding shares of voting stock of the Corporation entitled to vote at an election of directors."

3. Article X of the Corporation's Certificate of Incorporation is hereby amended to read in its entirety as follows:

"The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation. Notwithstanding the foregoing, the provisions set forth in Articles VI, VII, VIII, IX and X of this Certificate of Incorporation may not be repealed or amended in any respect without the affirmative vote of holders of at least a majority of the outstanding voting stock of the Corporation entitled to vote at an election of directors."

4. The foregoing amendments were duly adopted in accordance with Section 242 of the General Corporation Law of the State of Delaware.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, NetApp, Inc. has caused this Certificate of Amendment of Certificate of Incorporation to be signed by Matthew K. Fawcett, a duly authorized officer of the Corporation, on September 13, 2013.

NetApp, Inc.

By: /s/ Matthew K. Fawcett
Matthew K. Fawcett
Senior Vice President, General Counsel and
Corporate Secretary

CERTIFICATE OF OWNERSHIP AND MERGER

MERGING

**NETAPP NC CORPORATION,
a Delaware corporation**

WITH AND INTO

**NETWORK APPLIANCE, INC.,
a Delaware corporation**

(Pursuant to Section 253 of the General Corporation Law of Delaware)

Network Appliance, Inc. (the "**Corporation**"), a corporation incorporated on the 1st day of November, 2001, pursuant to the provisions of the General Corporation Law of the State of Delaware, does hereby certify as follows:

1. That the Corporation is organized and existing under the General Corporation Law of the State of Delaware.
2. That the Corporation owns 100% of the capital stock of NetApp NC Corporation, a Delaware corporation ("**Sub**") incorporated on the 6th day of March, 2008, pursuant to the provisions of the General Corporation Law of the State of Delaware.
3. That the Corporation determined to merge Sub into itself (the "**Merger**") by the resolutions of its board of directors attached hereto as **Exhibit A**, duly adopted on March 3, 2008.
4. Pursuant to Section 253(b) of the General Corporation Law of Delaware the name of the corporation surviving the merger shall be NetApp, Inc.
5. The Merger shall become effective upon filing with the Delaware Secretary of State.

IN WITNESS WHEREOF, the Corporation has caused this Certificate to be signed by its duly authorized officer on this 10 day of March, 2008.

NETWORK APPLIANCE, INC.

By: /s/ Andrew Kryder
Name: Andrew Kryder
Title: Secretary

EXHIBIT A

Resolutions of the Board of Directors of Network Appliance, Inc., a Delaware Corporation

Merger with NetApp NC Corporation.

WHEREAS: The Company owns 100% of the outstanding capital stock of NetApp NC Corporation, a corporation organized and existing under the laws of the State of Delaware (“Merger Sub”).

WHEREAS: The Board desires that Merger Sub merge with and into the Company and that the Company possess itself of all the estate, property, rights, privileges and franchises of Merger Sub.

NOW, THEREFORE, BE IT RESOLVED: That the Board hereby authorizes the merger of Merger Sub with and into the Company, with the Company continuing as the surviving corporation (the “Merger”).

RESOLVED FURTHER: That upon the effective date of the Merger, the name of the Company shall be changed from “Network Appliance, Inc.” to “NetApp, Inc.” pursuant to Section 253(b) of the Delaware General Corporation Law.

RESOLVED FURTHER: That upon the effective date of the Merger, the Company shall assume any and all assets, obligations and liabilities of Merger Sub pursuant to Section 253 of the Delaware General Corporation Law.

RESOLVED FURTHER: That each outstanding share of capital stock of Merger Sub will be canceled and extinguished upon the effectiveness of the Merger, and no consideration shall be issued in exchange therefor.

RESOLVED FURTHER: That the officers of the Company be and hereby are directed to make and execute a Certificate of Ownership and Merger setting forth a copy of the resolution to merge Merger Sub with and into the Company and assume Merger Sub’s liabilities and obligations, and the date of adoption thereof, and to file the same in the office of the Secretary of State of the State of Delaware.

RESOLVED FURTHER: That the Merger of Merger Sub with and into the Company shall become effective upon the filing of the Certificate of Ownership and Merger with the Secretary of State of the State of Delaware as provided for therein.

RESOLVED FURTHER: That the Certificate of Ownership and Merger in the form attached hereto as **Exhibit A** be and hereby is approved and adopted in all respects.

RESOLVED FURTHER: That upon the effective time of the Merger, the Amended and Restated Certificate of Incorporation of the Company (“Certificate of Incorporation”) in effect immediately prior to the effectiveness of the Merger shall continue to be the Certificate of Incorporation of the Company; *provided, however*, that the amendment to Article 1 of said Certificate of Incorporation as is effected by the merger is as follows: “The name of this corporation is NetApp, Inc.”.

RESOLVED FURTHER: That upon the effective time of the Merger, the directors and officers of the Company, as constituted immediately prior to the effectiveness of the Merger, shall continue to be the directors and officers of the Company.

RESOLVED FURTHER: That each stock certificate evidencing the ownership of each share of Common Stock of the Company issued and outstanding immediately prior to the effective time of the merger shall continue to evidence ownership of the shares of the Company.

RESOLVED FURTHER: That each stock certificate evidencing the ownership of Common Stock of Company issued anytime after the effective time of the merger shall be in the form of the stock certificate to be approved by the appropriate officers of the Company.

RESOLVED FURTHER: That the Board hereby authorizes, directs and empowers the appropriate officers of the Company, and each of them, for and on behalf of the Company, to take any and all such actions, and prepare, execute and deliver any and all such documents, including filing of the Certificate of Ownership and Merger, as may be necessary or advisable to carry out the foregoing resolutions, and hereby ratifies and confirms any and all actions taken heretofore to accomplish such purposes.

CERTIFICATE OF INCORPORATION
OF
NETWORK APPLIANCE, INC.

ARTICLE I

The name of this corporation is Network Appliance, Inc. (the "Corporation").

ARTICLE II

The address of the Corporation's registered office in the State of Delaware is 1013 Centre Road, City of Wilmington, County of New Castle, Delaware 19801. The name of the Corporation's registered agent at such address is the Corporation Service Company.

ARTICLE III

The nature of the business or purposes to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware (the "GCL"), as the same exists or may hereafter be amended.

ARTICLE IV

The name and mailing address of the incorporator is John W. Larson, Esq., Brobeck, Phleger & Harrison LLP, One Market, Spear Street Tower, San Francisco, CA 94105.

ARTICLE V

The Corporation is authorized to issue two classes of stock to be designated, respectively, "Common Stock" and "Preferred Stock." The total number of shares that the Corporation is authorized to issue is Eight Hundred Ninety Million (890,000,000). Eight Hundred Eighty-Five Million (885,000,000) shares shall be Common Stock, par value \$0.001 per share, and Five Million (5,000,000) shares shall be Preferred Stock, par value \$0.001 per share.

The Preferred Stock may be issued from time to time in one or more series, without further stockholder approval. The Board of Directors of the Corporation is hereby authorized to fix or alter the rights, preferences, privileges and restrictions granted to or imposed upon each series of Preferred Stock, and the number of shares constituting any such series and the designation thereof, or of any of them. The rights, privileges, preferences and restrictions of any such additional series may be subordinated to, pari passu with (including, without limitation, inclusion in provisions with respect to liquidation and acquisition preferences, redemption and/or approval of matters by vote), or senior to any of those of any present or future class or series of Preferred Stock or Common Stock. The Board of Directors is also authorized to increase or decrease the number of shares of any series prior or subsequent to the issue of that series, but not below the number of shares of such series then outstanding. In case the number of shares of any series shall be so decreased, the shares constituting such decrease shall resume the status which they had prior to the adoption of the resolution originally fixing the number of shares of such series.

ARTICLE VI

In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to make, repeal, alter, amend and rescind any or all of the Bylaws of the Corporation. In addition, the Bylaws may be amended by the affirmative vote of holders of at least sixty-six and two-thirds percent (66 2/3%) of the outstanding shares of voting stock of the Corporation entitled to vote at an election of directors.

ARTICLE VII

The number of directors of the Corporation shall be determined by resolution of the Board of Directors.

Elections of directors need not be by written ballot unless the Bylaws of the Corporation shall so provide. Advance notice of stockholder nominations for the election of directors and of any other business to be brought before any meeting of the stockholders shall be given in the manner provided in the Bylaws of this Corporation.

At each annual meeting of stockholders, directors of the Corporation shall be elected to hold office until the expiration of the term for which they are elected, or until their successors have been duly elected and qualified; except that if any such election shall not be so held, such election shall take place at a stockholders' meeting called and held in accordance with the GCL.

Vacancies occurring on the Board of Directors for any reason may be filled by vote of a majority of the remaining members of the Board of Directors, even if less than a quorum, at any meeting of the Board of Directors. A person so elected by the Board of Directors to fill a vacancy shall hold office for the remainder of the full term of the director for which the vacancy was created or occurred and until such director's successor shall have been duly elected and qualified.

ARTICLE VIII

Stockholders of the Corporation shall take action by meetings held pursuant to this Certificate of Incorporation and the Bylaws and shall have no right to take any action by written consent without a meeting. Meetings of stockholders may be held within or without the State of Delaware, as the Bylaws may provide. Special meetings of the stockholders, for any purpose or purposes, may only be called by the Chief Executive Officer, President, Chairman of the Board or a majority of the members of the Board of Directors. The books of the Corporation may be kept (subject to any provision contained in the statutes) outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the Bylaws of the Corporation.

ARTICLE IX

To the fullest extent permitted by applicable law, this Corporation is authorized to provide indemnification of (and advancement of expenses to) directors, officers, employees and agents (and any other persons to which Delaware law permits this Corporation to provide indemnification) through Bylaw provisions, agreements with such agents or other persons, vote of stockholders or disinterested directors or otherwise, in excess of the indemnification and advancement otherwise permitted by Section 145 of the GCL, subject only to limits created by applicable Delaware law (statutory or non-statutory), with respect to action for breach of duty to the Corporation, its stockholders, and others.

No director of the Corporation shall be personally liable to the Corporation or any stockholder for monetary damages for breach of fiduciary duty as a director, except for any matter in respect of which such director shall be liable under Section 174 of the GCL or any amendment thereto or shall be liable by reason that, in addition to any and all other requirements for such liability, such director (1) shall have breached the director's duty or loyalty to the Corporation or its stockholders, (2) shall have acted in a manner involving intentional misconduct or a knowing violation of law or, in failing to act, shall have acted in a manner involving intentional misconduct or a knowing violation of law, or (3) shall have derived an improper personal benefit. If the GCL is hereafter amended to authorize the further elimination or limitation of the liability of a director, the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the GCL, as so amended.

Each person who was or is made a party or is threatened to be made a party to or is in any way involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), including any appeal therefrom, by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was a director or officer of the Corporation or a direct or indirect subsidiary of the Corporation, or is or was serving at the request of the Corporation as a director or officer of another entity or enterprise, or was a director or officer of a foreign or domestic corporation which was predecessor corporation of the Corporation or of another entity or enterprise at the request of such predecessor corporation, shall be indemnified and held harmless by the Corporation, and the Corporation shall advance all expenses incurred by any such person in defense of any such proceeding prior to its final determination, to the fullest extent authorized by the GCL. In any proceeding against the Corporation to enforce these rights, such person shall be presumed to be entitled to indemnification and the Corporation shall have the burden of proving that such person has not met the standards of conduct for permissible indemnification set forth in the GCL. The rights to indemnification and advancement of expenses conferred by this Article IX shall be presumed to have been relied upon by the directors and officers of the Corporation in serving or continuing to serve the Corporation and shall be enforceable as contract rights. Said rights shall not be exclusive of any other rights to which those seeking indemnification may otherwise be entitled. The Corporation may, upon written demand presented by a director or officer of the Corporation or of a direct or indirect subsidiary of the Corporation, or by a person serving at the request of the Corporation as a director or officer of another entity or enterprise, enter into contracts to provide such persons with specified rights to indemnification, which contracts may confer rights and protections to the maximum extent permitted by the GCL, as amended and in effect from time to time.

If a claim under this Article IX is not paid in full by the Corporation within sixty (60) days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expenses of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce the right to be advanced expenses incurred in defending any proceeding prior to its final disposition where the required undertaking, if any, has been tendered to the Corporation) that the claimant has not met the standards of conduct which make it permissible under the GCL for the Corporation to indemnify the claimant for the amount claimed, but the claimant shall be presumed to be entitled to indemnification and the Corporation shall have the burden of proving that the claimant has not met the standards of conduct for permissible indemnification set forth in the GCL.

If the GCL is hereafter amended to permit the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment, the indemnification rights conferred by this Article IX shall be broadened to the fullest extent permitted by the GCL, as so amended. No amendment to or repeal of this Article IX shall affect or diminish in any way the rights of any indemnitee to indemnification under the provisions hereof with respect to any action, suit, proceeding or investigation arising out of or relating to any actions, transactions or facts occurring prior to the final adoption of any such amendment or repeal.

ARTICLE X

The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation. Notwithstanding the foregoing, the provisions set forth in Articles VI, VII, VIII, IX and X of this Certificate of Incorporation may not be repealed or amended in any respect without the affirmative vote of holders at least sixty-six and two-thirds percent (66 2/3%) of the outstanding voting stock of the Corporation entitled to vote at an election of directors.

IN WITNESS WHEREOF, the undersigned incorporator has executed this certificate on November 1, 2001.

/s/ John W. Larson

John W. Larson

Incorporator

**BYLAWS
OF
NETAPP, INC.**

(amended and restated as of September 13, 2013)

**ARTICLE I
OFFICES**

Section 1.1. The registered office shall be in the City of Wilmington, County of New Castle, State of Delaware.

Section 1.2. The corporation may also have offices at such other places both within and without the State of Delaware as the Board of Directors may from time to time determine or the business of the corporation may require.

**ARTICLE II
MEETINGS OF STOCKHOLDERS**

Section 2.1. All meetings of the stockholders for the election of directors shall be held at such place as may be fixed from time to time by the Board of Directors, or at such other place either within or without the State of Delaware as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting. Meetings of stockholders for any other purpose may be held at such time and place, within or without the State of Delaware, as shall be stated in the notice of the meeting or in a duly executed waiver of notice thereof.

Section 2.2. Annual meetings of stockholders shall be held at such date and time as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting. At each annual meeting, the stockholders shall elect directors to succeed those directors whose terms expire in that year and shall transact such other business as may properly be brought before the meeting.

Section 2.3. Written notice of the annual meeting stating the place, date and hour of the meeting shall be given to each stockholder entitled to vote at such meeting not less than ten (10) nor more than sixty (60) days before the date of the meeting.

Section 2.4. The officer who has charge of the stock ledger of the corporation shall prepare and make available, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

Section 2.5. Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by statute or by the Certificate of Incorporation, may only be called by the Board.

Section 2.6. Written notice of a special meeting stating the place, date and hour of the meeting and the purpose or purposes for which the meeting is called, shall be given not fewer than ten (10) nor more than sixty (60) days before the date of the meeting, to each stockholder entitled to vote at such meeting.

Section 2.7. Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice.

Section 2.8. The holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute or by the Certificate of Incorporation. If, however, such quorum shall not be present or represented at any meeting of the stockholders, either the Chairman of the Board, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented any business may be transacted that might have been transacted at the meeting as originally notified. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 2.9. When a quorum is present at any meeting, the vote of the holders of a majority of the stock having voting power present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one upon which by express provision of the statutes or of the Certificate of Incorporation, a different vote is required, in which case such express provision shall govern and control the decision of such question.

Section 2.10. Unless otherwise provided in the Certificate of Incorporation, each stockholder shall at every meeting of the stockholders be entitled to one vote in person or by proxy for each share of the capital stock having voting power held by such stockholder, but no proxy shall be voted on after three (3) years from its date, unless the proxy provides for a longer period.

Section 2.11. Nominations for election to the Board of Directors must be made by the Board of Directors or by a committee appointed by the Board of Directors for such purpose or by any stockholder of any outstanding class of capital stock of the corporation entitled to vote for the election of directors. Nominations by stockholders must be preceded by notification in writing received by the secretary of the corporation not less than one-hundred twenty (120) days

prior to any meeting of stockholders called for the election of directors. Such notification shall contain the written consent of each proposed nominee to serve as a director if so elected and the following information as to each proposed nominee and as to each person, acting alone or in conjunction with one or more other persons as a partnership, limited partnership, syndicate or other group, who participates or is expected to participate in making such nomination or in organizing, directing or financing such nomination or solicitation of proxies to vote for the nominee:

(a) the name, age, residence, address, and business address of each proposed nominee and of each such person;

(b) the principal occupation or employment, the name, type of business and address of the corporation or other organization in which such employment is carried on of each proposed nominee and of each such person;

(c) the amount of stock of the corporation owned beneficially, either directly or indirectly, by each proposed nominee and each such person; and

(d) a description of any arrangement or understanding of each proposed nominee and of each such person with each other or any other person regarding future employment or any future transaction to which the corporation will or may be a party; and

(e) a written statement of such proposed nominee that such proposed nominee, if elected, intends to tender, promptly following such proposed nominee's election or re-election, an irrevocable resignation effective upon such proposed nominee's failure to receive the required vote for re-election at the next meeting at which such proposed nominee would face re-election and upon acceptance of such resignation by the Board of Directors, in accordance with the corporation's Corporate Governance Guidelines.

The presiding officer of the meeting shall have the authority to determine and declare to the meeting that a nomination not preceded by notification made in accordance with the foregoing procedure shall be disregarded.

Section 2.12. At any meeting of the stockholders, only such business shall be conducted as shall have been brought before the meeting (a) pursuant to the corporation's notice of meeting, (b) by or at the direction of the Board of Directors or (c) by any stockholder of the corporation who is a stockholder of record at the time of giving of the notice provided for in this Bylaw, who shall be entitled to vote at such meeting and who complies with the notice procedures set forth in this Bylaw.

For business to be properly brought before any meeting by a stockholder pursuant to clause (c) above of this Section 12, the stockholder must have given timely notice thereof in writing to the secretary of the corporation. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the corporation not less than one hundred twenty (120) days prior to the date of the meeting. A stockholder's notice to the secretary shall set forth as to each matter the stockholder proposes to bring before the meeting (a) a brief description of the business desired to be brought before the meeting and the reasons for conducting such business at the meeting, (b) the name and address, as they appear on

the corporation's books, of the stockholder proposing such business, and the name and address of the beneficial owner, if any, on whose behalf the proposal is made, (c) the class and number of shares of the corporation which are owned beneficially and of record by such stockholder of record and by the beneficial owner, if any, on whose behalf the proposal is made and (d) any material interest of such stockholder of record and the beneficial owner, if any, on whose behalf the proposal is made in such business.

Notwithstanding anything in these Bylaws to the contrary, no business shall be conducted at a meeting except in accordance with the procedures set forth in this Section 12. The presiding officer of the meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting and in accordance with the procedures prescribed by this Section 12, and if such person should so determine, such person shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted. Notwithstanding the foregoing provisions of this Section 12, a stockholder shall also comply with all applicable requirements of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder with respect to the matters set forth in this Section 12.

Section 2.13. The stockholders of the Corporation may not take action by written consent without a meeting but must take any such actions at a duly called annual or special meeting in accordance with these Bylaws and the Certificate of Incorporation.

ARTICLE III

DIRECTORS

Section 3.1. The number of directors of this corporation that shall constitute the whole Board shall be determined by resolution of the Board of Directors; provided, however, that no decrease in the number of directors shall have the effect of shortening the term of an incumbent director.

Section 3.2. With the exception of the first Board of Directors, which shall be elected by the incorporator and except as provided in the corporation's Certificate of Incorporation, the Board of Directors shall be elected at the annual meeting of stockholders, with each director to hold office for a term expiring at the annual meeting of stockholders following the annual meeting where each director was elected to hold office until his successor is elected and qualified. Effective as of the first meeting of stockholders at which the directors will be elected following the 2012 annual meeting of stockholders, a nominee for director shall be elected to the Board of Directors if the votes cast for such nominee's election exceed the votes cast against such nominee's election, subject to the rights of the holders of any series of Preferred Stock to elect directors in accordance with the terms thereof; provided, however, that directors shall be elected by a plurality of the votes cast at any meeting of stockholders for which (i) the Secretary of the corporation receives a notice that a stockholder has nominated a person for election to the Board of Directors in compliance with the advance notice requirements for stockholder nominees set forth in Section 2.11 of these bylaws and (ii) such nomination has not been withdrawn by such stockholder on or before the fourteenth (14th) day preceding the date the corporation files its definitive proxy statement (regardless of whether or not thereafter revised or supplemented) with the Securities and Exchange Commission. If directors are to be elected by a plurality of the votes cast, stockholders shall not be permitted to vote against a nominee.

Section 3.3. Vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, even if less than a quorum, or by a sole remaining director, and the directors so chosen shall hold office until the next election of the class for which such directors were chosen and until their successors are duly elected and qualified or until earlier resignation or removal. If there are no directors in office, then an election of directors may be held in the manner provided by statute.

Section 3.4. The business of the corporation shall be managed by or under the direction of its Board of Directors which may exercise all such powers of the corporation and do all such lawful acts and things as are not by statute or by the Certificate of Incorporation or by these Bylaws directed or required to be exercised or done by the stockholders.

MEETINGS OF THE BOARD OF DIRECTORS

Section 3.5. The Board of Directors of the corporation may hold meetings, both regular and special, either within or without the State of Delaware.

Section 3.6. The first meeting of each newly elected Board of Directors shall be held immediately following the annual meeting of stockholders and no notice of such meeting shall be necessary to the newly elected directors in order legally to constitute the meeting, provided a quorum shall be present. In the event the meeting is not held immediately following the annual meeting of stockholders, the meeting may be held at such time and place as shall be specified in a notice given as hereinafter provided for special meetings of the Board of Directors, or as shall be specified in a written waiver signed by all of the directors.

Section 3.7. Regular meetings of the Board of Directors may be held without notice at such time and at such place as shall from time to time be determined by the Board.

Section 3.8. Special meetings of the Board may be called by the Chairman of the Board or the Chief Executive Officer on twelve (12) hours' notice to each director either personally or by telephone, telegram, facsimile or electronic mail; special meetings shall be called by the Chief Executive Officer or secretary in like manner and on like notice on the written request of a majority of the Board unless the Board consists of only one director, in which case special meetings shall be called by the Chairman of the Board, the Chief Executive Officer or secretary in like manner and on like notice on the written request of the sole director. A written waiver of notice, signed by the person entitled thereto, whether before or after the time of the meeting stated therein, shall be deemed equivalent to notice.

Section 3.9. At all meetings of the Board a majority of the directors shall constitute a quorum for the transaction of business and the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors, except as may be otherwise specifically provided by statute or by the Certificate of Incorporation. If a quorum shall not be present at any meeting of the Board of Directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 3.10. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all members of the Board or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board or committee.

Section 3.11. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, members of the Board of Directors, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors, or any committee, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

COMMITTEES OF DIRECTORS

Section 3.12. The Board of Directors may, by resolution passed by a majority of the whole Board, designate one (1) or more committees, each committee to consist of one (1) or more of the directors of the corporation. The Board may designate one (1) or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee.

In the absence of disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member.

Any such committee, to the extent provided in the resolution of the Board of Directors, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers that may require it; but no such committee shall have the power or authority in reference to amending the Certificate of Incorporation, adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease or exchange of all or substantially all of the corporation's property and assets, recommending to the stockholders a dissolution of the corporation or a revocation of a dissolution, or amending the Bylaws of the corporation; and, unless the resolution or the Certificate of Incorporation expressly so provide, no such committee shall have the power or authority to declare a dividend or to authorize the issuance of stock. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board of Directors.

Section 3.13. Each committee shall keep regular minutes of its meetings and report the same to the Board of Directors when required.

COMPENSATION OF DIRECTORS

Section 3.14. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, the Board of Directors shall have the authority to fix the compensation of directors. The directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary as director. No such payment shall preclude any director from serving the corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

REMOVAL OF DIRECTORS

Section 3.15. Unless otherwise restricted by the Certificate of Incorporation or Bylaws, any director or the entire Board of Directors may be removed, with or without cause, by the holders of a majority of shares entitled to vote at an election of directors.

ARTICLE IV NOTICES

Section 4.1. Whenever, under the provisions of the statutes or of the Certificate of Incorporation or of these Bylaws, notice is required to be given to any director or stockholder, it shall not be construed to mean personal notice (except as provided in Section 7 of Article III of these Bylaws), but such notice may be given in writing, by mail, addressed to such director or stockholder, at his address as it appears on the records of the corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Notice to directors may also be given by telephone, telegram or facsimile.

Section 4.2. Whenever any notice is required to be given under the provisions of the statutes or of the Certificate of Incorporation or of these Bylaws, a waiver thereof in writing, signed by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

ARTICLE V OFFICERS

Section 5.1. The officers of the corporation shall be chosen by the Board of Directors and shall be a chief executive officer, a president, a chief financial officer and a secretary. The Board of Directors may elect from among its members a Chairman of the Board. The Board of Directors may also choose one or more vice presidents, assistant secretaries and assistant treasurers. Any number of offices may be held by the same person, unless the Certificate of Incorporation or these Bylaws otherwise provide.

Section 5.2. The Board of Directors at its first meeting after each annual meeting of stockholders shall choose a chief executive officer, a president, a chief financial officer, and a secretary and may choose vice presidents.

Section 5.3. The Board of Directors may appoint such other officers and agents as it shall deem necessary who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board.

Section 5.4. The salaries of all officers of the corporation shall be fixed by the Board of Directors or any committee established by the Board of Directors for such purpose. The salaries of agents of the corporation shall, unless fixed by the Board of Directors, be fixed by the president or any vice president of the corporation.

Section 5.5. The officers of the corporation shall hold office until their successors are chosen and qualify. Any officer elected or appointed by the Board of Directors may be removed at any time by the affirmative vote of a majority of the Board of Directors. Any vacancy occurring in any office of the corporation shall be filled by the Board of Directors.

THE CHAIRMAN OF THE BOARD

Section 5.6. The Chairman of the Board, if such an officer is elected, shall exercise and perform such powers and duties as may be from time to time assigned to him by the Board of Directors or prescribed by the Bylaws.

CHIEF EXECUTIVE OFFICER

Section 5.7. Subject to such supervisory powers, if any, as may be given by the Board of Directors to the Chairman of the Board, if there be such an officer, the chief executive officer shall be the chief executive officer of the corporation and shall, subject to the control of the Board of Directors, have general supervision, direction, and control of the business and the officers of the corporation. He shall preside at all meetings of the shareholders and, at all meetings of the Board of Directors. He shall have the general powers and duties of management usually vested in the office of the chief executive officer of a corporation, and shall have such other powers and duties as may be prescribed by the Board of Directors or the Bylaws.

PRESIDENT

Section 5.8. In the absence or disability of the chief executive officer, the president shall perform all the duties of the chief executive officer (except presiding at meetings of the Board of Directors), and when so acting shall have all of the powers of, and be subject to all the restrictions upon, the chief executive officer. The president shall have such other powers and perform such other duties as from time to time may be prescribed by the Board of Directors or the Bylaws or the chief executive officer or the Chairman of the Board.

CHIEF FINANCIAL OFFICER

Section 5.9. The chief financial officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transaction of the corporation, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings, and shares. The books of account shall at all reasonable times be open to inspection by any Director.

The chief financial officer shall deposit all moneys and other valuables in the name and to the credit of the corporation with such depositories as may be designated by the Board of Directors. He shall disburse the funds of the corporation as may be ordered by the Board of Directors, shall render to the president and Directors, whenever they request it, an account of all of his transactions as chief financial officer and of the financial condition of the corporation, and shall have other power and perform such other duties as may be prescribed by the Board of Directors of the Bylaws.

SECRETARY

Section 5.10. The secretary shall keep or cause to be kept, at the principal executive office or such other place as the Board of Directors may direct, a book of minutes of all meetings and actions of Directors, committees or Directors, and shareholders, with the time and place of holding, whether regular or special, and, if special, how authorized, the notice given, the names of those present at the Directors' meetings or committee meetings, the number of shares present or represented at shareholders' meetings, and the proceedings.

The secretary shall keep, or cause to be kept, at the principal executive office or at the office of the corporation's transfer agent or registrar, as determined by resolution of the Board of Directors a share register, or a duplicate share register, showing the names of all shareholders and their addresses, the number and classes of shares held by each, the number and date of certificates issued for the same, and the number and date of cancellation of every certificate surrendered for cancellation.

The secretary shall give, or cause to be given, notice of all meetings of the shareholders and of the Board of Directors required by the Bylaws or Bylaw to be given, and he shall keep the seal of the corporation if one be adopted, in safe custody, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or by the Bylaws.

ARTICLE VI
CERTIFICATE OF STOCK

Section 6.1. Every holder of stock in the corporation shall be entitled to have a certificate, signed by, or in the name of the corporation by, the Chairman of the Board of Directors, the chief executive officer, the president, a vice president, the treasurer or an assistant treasurer, or the secretary or an assistant secretary of the corporation, certifying the number of shares owned by him/her in the corporation.

Certificates may be issued for partly paid shares and in such case upon the face or back of the certificates issued to represent any such partly paid shares, the total amount of the consideration to be paid therefor, and the amount paid thereon shall be specified.

If the corporation shall be authorized to issue more than one class of stock or more than one series of any class, the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualification, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate that the corporation shall issue to represent such class or series of stock, provided that, except as otherwise provided in Section 202 of the General Corporation Law of Delaware, in lieu of the foregoing requirements, there may be set forth on the face or back of the certificate that the corporation shall issue to represent such class or series of stock, a statement that the corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights.

Any of or all the signatures on the certificate may be facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he/she were such officer, transfer agent or registrar at the date of issue.

LOST CERTIFICATES

Section 6.2. The Board of Directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or his/her legal representative, to advertise the same in such manner as it shall require and/or to give the corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

TRANSFER OF STOCK

Section 6.3. Upon surrender to the corporation or the transfer agent of the corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignation or authority to transfer, it shall be the duty of the corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

FIXING RECORD DATE

Section 6.4. In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting, nor more than sixty (60) days prior to any other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

REGISTERED STOCKHOLDERS

Section 6.5. The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

ARTICLE VII GENERAL PROVISIONS

DIVIDENDS

Section 7.1. Dividends upon the capital stock of the corporation, subject to the provisions of the Certificate of Incorporation, if any, may be declared by the Board of Directors at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the Certificate of Incorporation.

Section 7.2. Before payment of any dividend, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purposes as the directors shall think conducive to the interest of the corporation, and the directors may modify or abolish any such reserve in the manner in which it was created.

CHECKS

Section 7.3. All checks or demands for money and notes of the corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

FISCAL YEAR

Section 7.4. The fiscal year of the corporation shall be fixed by resolution of the Board of Directors.

SEAL

Section 7.5. The Board of Directors may adopt a corporate seal having inscribed thereon the name of the corporation, the year of its organization and the words "Corporate Seal, Delaware." The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

INDEMNIFICATION

Section 7.6. The corporation shall, to the fullest extent authorized under the laws of the State of Delaware, as those laws may be amended and supplemented from time to time, indemnify any director made, or threatened to be made, a party to an action or proceeding, whether criminal, civil, administrative or investigative, by reason of being a director of the corporation or a predecessor corporation or, at the corporation's request, a director or officer of

another corporation, provided, however, that the corporation shall indemnify any such agent in connection with a proceeding initiated by such agent only if such proceeding was authorized by the Board of Directors of the corporation. The indemnification provided for in this Section 6 shall: (i) not be deemed exclusive of any other rights to which those indemnified may be entitled under any Bylaw, agreement or vote of stockholders or disinterested directors or otherwise, both as to action in their official capacities and as to action in another capacity while holding such office, (ii) continue as to a person who has ceased to be a director, and (iii) inure to the benefit of the heirs, executors and administrators of such a person. The corporation's obligation to provide indemnification under this Section 6 shall be offset to the extent of any other source of indemnification or any otherwise applicable insurance coverage under a policy maintained by the corporation or any other person.

Expenses incurred by a director of the corporation in defending a civil or criminal action, suit or proceeding by reason of the fact that he is or was a director of the corporation (or was serving at the corporation's request as a director or officer of another corporation) shall be paid by the corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the corporation as authorized by relevant sections of the General Corporation Law of Delaware. Notwithstanding the foregoing, the corporation shall not be required to advance such expenses to an agent who is a party to an action, suit or proceeding brought by the corporation and approved by a majority of the Board of Directors of the corporation which alleges willful misappropriation of corporate assets by such agent, disclosure of confidential information in violation of such agent's fiduciary or contractual obligations to the corporation or any other willful and deliberate breach in bad faith of such agent's duty to the corporation or its stockholders.

The foregoing provisions of this Section 6 shall be deemed to be a contract between the corporation and each director who serves in such capacity at any time while this Bylaw is in effect, and any repeal or modification thereof shall not affect any rights or obligations then existing with respect to any state of facts then or theretofore existing or any action, suit or proceeding theretofore or thereafter brought based in whole or in part upon any such state of facts.

The Board of Directors in its discretion shall have power on behalf of the corporation to indemnify any person, other than a director, made a party to any action, suit or proceeding by reason of the fact that he, his testator or intestate, is or was an officer or employee of the corporation.

To assure indemnification under this Section 6 of all directors, officers and employees who are determined by the corporation or otherwise to be or to have been "fiduciaries" of any employee benefit plan of the corporation which may exist from time to time, Section 145 of the General Corporation Law of Delaware shall, for the purposes of this Section 6, be interpreted as follows: an "other enterprise" shall be deemed to include such an employee benefit plan, including without limitation, any plan of the corporation which is governed by the Act of Congress entitled "Employee Retirement Income Security Act of 1974," as amended from time to time; the corporation shall be deemed to have requested a person to serve an employee benefit plan where the performance by such person of his duties to the corporation also imposes duties on, or otherwise involves services by, such person to the plan or participants or beneficiaries of the plan; excise taxes assessed on a person with respect to an employee benefit plan pursuant to such Act of Congress shall be deemed "fines."

ARTICLE VIII
AMENDMENTS

Section 8.1. These Bylaws may be altered, amended or repealed or new Bylaws may be adopted by the affirmative vote of holders of at least a majority vote of the outstanding voting stock of the corporation. These Bylaws may also be altered, amended or repealed or new Bylaws may be adopted by the Board of Directors, when such power is conferred upon the Board of Directors by the Certificate of Incorporation. The foregoing may occur at any regular meeting of the stockholders or of the Board of Directors or at any special meeting of the stockholders or of the Board of Directors if notice of such alteration, amendment, repeal or adoption of new Bylaws be contained in the notice of such special meeting. If the power to adopt, amend or repeal Bylaws is conferred upon the Board of Directors by the Certificate of Incorporation it shall not divest or limit the power of the stockholders to adopt, amend or repeal Bylaws.

**CERTIFICATE OF ADOPTION BY THE
SECRETARY OF NETAPP, INC.**

The undersigned, Matthew K. Fawcett, hereby certifies that he is the duly elected and acting Secretary of NetApp, Inc., a Delaware corporation (the "Corporation"), and that the Bylaws attached hereto constitute the Bylaws of said Corporation as duly adopted by the Board of Directors and the stockholders of the Corporation and as in effect on the date hereof.

IN WITNESS WHEREOF, the undersigned has hereunto subscribed his name this 13th day of September, 2013.

/s/ Matthew K. Fawcett
Matthew K. Fawcett
Secretary

NETAPP, INC.
NOTICE OF GRANT OF STOCK OPTION

NetApp, Inc. (the "Corporation") hereby grants to you ("Optionee") an option (the "Option") to purchase shares of the Common Stock the Corporation. Subject to the provisions of the Stock Option Agreement attached hereto as Exhibit A (the "Agreement") and of the Corporation's 1999 Stock Option Plan (the "Plan"), the principal features of this Option are as follows:

Optionee

«First_Name» «Middle_Name» «Last_Name»

«Address_Line_1»

«Address_Line_2»

«City», «State» «Zip_Code»

Grant Number: «NUM»

Grant Date: «Option_Date»

Vesting Commencement Date: «Vest_Base_Date»

Exercise Price: \$«Option_Price» per share

Number of Option Shares: «Shares_Granted» shares

Expiration Date: «Expiration_Date_Period_1»

Type of Option: «Long_Type»

Exercise Schedule:

Vesting is subject to Optionee's continuous Service through each applicable vesting date. In no event shall the option vest or become exercisable for any additional Option Shares after Optionee's cessation of Service.

Optionee acknowledges and agrees that by clicking the "ACCEPT" button on the Corporation's online grant agreement ("OLGA") response page, it will act as Optionee's electronic signature to the Notice of Grant of Stock Option (the "Notice") and the Agreement (which includes Appendix A and Appendix B hereto) and will result in a contract between Optionee and the Corporation with respect to this Option. Optionee agrees and acknowledges that Optionee's electronic signature indicates Optionee's agreement and understanding that this Option is subject to all of the terms and conditions contained in this Notice, the Agreement and the Plan. **PLEASE BE SURE TO READ ALL OF THE AGREEMENT, WHICH CONTAINS THE SPECIFIC TERMS AND CONDITIONS OF THIS OPTION.**

Optionee should retain a copy of Optionee's electronically signed Agreement; Optionee may obtain a paper copy at any time and at the Corporation's expense by requesting one from Stock Administration. If Optionee would prefer not to electronically sign this Agreement, Optionee may accept this Agreement by signing a paper copy of the Agreement and delivering it to Stock Administration. A copy of the Plan is available upon request made to Stock Administration.

Optionee hereby acknowledges that the official prospectus for the Plan, which appears as "1999 Plan Summary and Prospectus" is available on the Corporation's internal web site at http://live.netapp.com/community/departments_and_initiatives/stock/stock_options and that the Agreement and the 1999 Plan Summary and Prospectus are made a part of this Notice.

Nothing in this Notice, the Agreement or in the Plan shall confer upon Optionee any right to continue in Service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Corporation (or any Parent or Subsidiary employing or retaining Optionee) or of Optionee, which rights are hereby expressly reserved by each, to terminate Optionee's Service at any time for any reason, with or without cause provided in compliance with any applicable employment agreement and applicable local law.

All capitalized terms in this Notice shall have the meaning assigned to them in this Notice or in the Agreement.

ATTACHMENT

Exhibit A – 1999 Stock Option Plan Stock Option Agreement

NETAPP, INC.
1999 STOCK OPTION PLAN
STOCK OPTION AGREEMENT

RECITALS

- A. The Board has adopted the Plan for the purpose of retaining the services of selected Employees, non-employee members of the Board (or the board of directors of any Parent or Subsidiary) and consultants and other independent advisors who provide services to the Corporation (or any Parent or Subsidiary).
- B. Optionee is to render valuable services to the Corporation (or a Parent or Subsidiary), and this Agreement is executed pursuant to, and is intended to carry out the purposes of, the Plan in connection with the Corporation's grant of an option to Optionee.
- C. All capitalized terms in this Agreement shall have the meaning assigned to them in the attached Appendix A.

NOW, THEREFORE, it is hereby agreed as follows:

- 1. **Grant of Option.** The Corporation hereby grants to Optionee, as of the Grant Date, an option to purchase up to the number of Option Shares specified in the Grant Notice. The Option Shares shall be purchasable from time to time during the option term specified in Paragraph 2 at the Exercise Price.
- 2. **Option Term.** This option shall have a maximum term of seven (7) years measured from the Grant Date and shall accordingly expire at the close of business on the Expiration Date, unless sooner terminated in accordance with Paragraph 5 or 6.
- 3. **Limited Transferability.**
 - a) This option shall be neither transferable nor assignable by Optionee other than by will or the laws of inheritance following Optionee's death and may be exercised, during Optionee's lifetime, only by Optionee. However, Optionee may designate one or more persons as the beneficiary or beneficiaries of this option, and this option shall, in accordance with such designation, automatically be transferred to such beneficiary or beneficiaries upon Optionee's death while holding this option. Such beneficiary or beneficiaries shall take the transferred option subject to all the terms and conditions of this Agreement, including (without limitation) the limited time period during which this option may, pursuant to Paragraph 5, be exercised following Optionee's death.
 - b) If this option is designated a Non-Statutory Option in the Grant Notice, then this option may be assigned in whole or in part during Optionee's lifetime to one or more members of Optionee's family or to a trust established for the exclusive benefit of one or more such family members, to the extent such assignment is in connection with Optionee's estate plan, or to Optionee's former spouse pursuant to a domestic relations order. The assigned portion shall be exercisable only by the person or persons who acquire a proprietary interest in the option pursuant to such assignment. The terms applicable to the assigned portion shall be the same as those in effect for this option immediately prior to such assignment.

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4. **Dates of Exercise.** This option shall become exercisable for the Option Shares in one or more installments as specified in the Grant Notice. As the option becomes exercisable for such installments, those installments shall accumulate, and the option shall remain exercisable for the accumulated installments until the Expiration Date or sooner termination of the option term under Paragraph 5 or 6.
5. **Cessation of Service.** The option term specified in Paragraph 2 shall terminate (and this option shall cease to be outstanding) prior to the Expiration Date should any of the following provisions become applicable:
- a) Should Optionee cease to remain in Service for any reason (other than death, Permanent Disability or Misconduct) while holding this option, then Optionee shall have a period of three (3) months (commencing with the date of such cessation of Service) during which to exercise this option, but in no event shall this option be exercisable at any time after the Expiration Date.
 - b) Should Optionee die while holding this option, then the personal representative of Optionee's estate or the person or persons to whom the option is transferred pursuant to Optionee's will or the laws of inheritance shall have the right to exercise this option. However, if Optionee has designated one or more beneficiaries of this option, then those persons shall have the exclusive right to exercise this option following Optionee's death unless the Corporation determines that the designation is not valid under applicable law in which case, the Corporation will allow the estate or other entitled party, under applicable law, to exercise the option. Any such right to exercise this option shall lapse, and this option shall cease to be outstanding, upon the earlier of (i) the expiration of the twelve (12)-month period measured from the date of Optionee's death or (ii) the Expiration Date.
 - c) Should Optionee cease Service by reason of Permanent Disability while holding this option, then Optionee shall have a period of twelve (12) months (commencing with the date of such cessation of Service) during which to exercise this option. In no event shall this option be exercisable at any time after the Expiration Date.
 - d) During the limited period of post-Service exercisability, this option may not be exercised in the aggregate for more than the number of Option Shares for which the option is exercisable at the time of Optionee's cessation of Service. Upon the expiration of such limited exercise period or (if earlier) upon the Expiration Date, this option shall terminate and cease to be outstanding for any exercisable Option Shares for which the option has not been exercised. However, this option shall, immediately upon Optionee's cessation of Service for any reason, terminate and cease to be outstanding with respect to any Option Shares for which this option is not otherwise at that time exercisable.
 - e) Should Optionee's Service be terminated for Misconduct or should Optionee otherwise engage in any Misconduct while this option is outstanding, then this option shall terminate immediately and cease to remain outstanding.
 - f) For the purpose of this Agreement, Service shall not include any notice of termination period (e.g., garden leave, etc.) during which the Optionee is not providing active Service to the Corporation or one of its Subsidiaries. The last day of Service shall be the last date that the Optionee is providing active Service to the Corporation or one of its Subsidiaries.

6. **Special Acceleration of Option.**

- a) This option, to the extent outstanding at the time of a Corporate Transaction but not otherwise fully exercisable, shall automatically accelerate so that this option shall, immediately prior to the effective date of such Corporate Transaction, become exercisable for all of the Option Shares at the time subject to this option and may be exercised for any or all of those Option Shares as fully vested shares of Common Stock. However, this option shall not become exercisable on such an accelerated basis, if and to the extent: (i) this option is, in connection with the Corporate Transaction, to be assumed by the successor corporation (or parent thereof) or (ii) this option is to be replaced with a cash incentive program of the successor corporation which preserves the spread existing at the time of the Corporate Transaction on any Option Shares for which this option is not otherwise at that time exercisable (the excess of the Fair Market Value of those Option Shares over the aggregate Exercise Price payable for such shares) and provides for subsequent payout in accordance with the same option exercise/vesting schedule for those Option Shares set forth in the Grant Notice.
 - b) Immediately following the Corporate Transaction, this option shall terminate and cease to be outstanding, except to the extent assumed by the successor corporation (or parent thereof) in connection with the Corporate Transaction.
 - c) If this option is assumed in connection with a Corporate Transaction, then this option shall be appropriately adjusted, immediately after such Corporate Transaction, to apply to the number and class of securities which would have been issuable to Optionee in consummation of such Corporate Transaction had the option been exercised immediately prior to such Corporate Transaction, and appropriate adjustments shall also be made to the Exercise Price, provided the aggregate Exercise Price shall remain the same.
 - d) This Agreement shall not in any way affect the right of the Corporation to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.
7. **Adjustment in Option Shares.** Should any change be made to the Common Stock by reason of any stock split, stock dividend, recapitalization, combination of shares, exchange of shares or other change affecting the outstanding Common Stock as a class without the Corporation's receipt of consideration, appropriate adjustments shall be made to (i) the total number and/or class of securities subject to this option and (ii) the Exercise Price in order to reflect such change and thereby preclude a dilution or enlargement of benefits hereunder.
8. **Shareholder Rights.** The holder of this option shall not have any shareholder rights with respect to the Option Shares until such person shall have exercised the option, paid the Exercise Price and become a holder of record of the purchased shares.

9. **Manner of Exercising Option.**

- a) In order to exercise this option with respect to all or any part of the Option Shares for which this option is at the time exercisable, Optionee (or any other person or persons exercising the option) must take the following actions:
- i. Execute and deliver to the Corporation a notice of exercise in a form acceptable to the Plan Administrator for the Option Shares for which the option is exercised, or complete such other process or procedure as the Plan Administrator may determine from time to time.
 - ii. Pay the aggregate Exercise Price for the purchased shares in one or more of the following forms (unless forms of exercise are limited by country specific terms set forth in Appendix B):
 - A. cash or check made payable to the Corporation (in U.S. dollars);
 - B. shares of Common Stock held by Optionee (or any other person or persons exercising the option) for the requisite period necessary to avoid a charge to the Corporation's earnings for financial reporting purposes and valued at Fair Market Value on the Exercise Date; or
 - C. through a special sale and remittance procedure pursuant to which Optionee (or any other person or persons exercising the option) shall concurrently provide irrevocable instructions (i) to a Corporation-designated brokerage firm to effect the immediate sale of the purchased shares and remit to the Corporation, out of the sale proceeds available on the settlement date, sufficient funds to cover the aggregate Exercise Price payable for the purchased shares plus all applicable Federal, state and local income and employment taxes required to be withheld by the Corporation by reason of such exercise and (ii) to the Corporation to deliver the certificates for the purchased shares directly to such brokerage firm in order to complete the sale.

Except to the extent the sale and remittance procedure is utilized in connection with the option exercise, payment of the Exercise Price must accompany the notice of exercise delivered to the Corporation or completion of such procedure, as the Plan Administrator may determine in its sole discretion, in connection with the option exercise.
 - iii. Provide any representations and agreements as may be required by the Corporation pursuant to the Plan at the time of exercise.
 - iv. Furnish to the Corporation appropriate documentation that the person or persons exercising the option (if other than the Optionee) have the right to exercise this option.
 - v. Make appropriate arrangements with the Corporation (or Parent or Subsidiary employing or retaining Optionee) for the satisfaction of all federal, state, foreign and local income and employment tax withholding requirements applicable to the option exercise.
 - vi. The option shall be deemed to be exercised upon receipt by the Corporation of a fully executed Notice of Exercise or completion of such exercise procedure as the Plan Administrator may determine in its sole discretion, accompanied by such aggregate Exercise Price and any application withholding taxes.

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- b) As soon as practical after the Exercise Date, the Corporation shall issue to or on behalf of Optionee (or any other person or persons exercising this option) a certificate for the purchased Option Shares, with the appropriate legends affixed thereto.
- c) In no event may this option be exercised for any fractional shares.
10. **Compliance with Laws and Regulations.**
- a) The exercise of this option and the issuance of the Option Shares upon such exercise shall be subject to compliance by the Corporation and Optionee with all applicable requirements of law relating thereto (including federal, state, foreign and local) and with all applicable regulations of any stock exchange (or the Nasdaq National Market, if applicable) on which the Common Stock may be listed for trading at the time of such exercise and issuance.
- b) The inability of the Corporation to obtain approval from any regulatory body having authority deemed by the Corporation to be necessary to the lawful issuance and sale of any Common Stock pursuant to this option shall relieve the Corporation of any liability with respect to the non-issuance or sale of the Common Stock as to which such approval shall not have been obtained. The Corporation, however, shall use reasonable efforts to obtain all such approvals.
11. **Successors and Assigns.** Except to the extent otherwise provided in Paragraphs 3 and 6, the provisions of this Agreement shall inure to the benefit of, and be binding upon, the Corporation and its successors and assigns and Optionee, Optionee's assigns, the legal representatives, heirs and legatees of Optionee's estate and any beneficiaries of this option designated by Optionee.
12. **Notices.** Any notice required to be given or delivered to the Corporation under the terms of this Agreement shall be in writing and addressed to the Corporation at its principal corporate offices. Any notice required to be given or delivered to Optionee shall be in writing and addressed to Optionee at the last address for the Optionee known to the Corporation. All notices shall be deemed effective upon personal delivery or upon deposit in the U.S. mail, postage prepaid and properly addressed to the party to be notified.
13. **Construction.** This Agreement and the option evidenced hereby are made and granted pursuant to the Plan and are in all respects limited by and subject to the terms of the Plan. All decisions of the Plan Administrator with respect to any question or issue arising under the Plan or this Agreement shall be conclusive and binding on all persons having an interest in this option.
14. **Governing Law.** The interpretation, performance and enforcement of this Agreement shall be governed by the laws of the State of California without resort to that State's conflict-of-laws rules.
15. **Excess Shares.** If the Option Shares covered by this Agreement exceed, as of the Grant Date, the number of shares of Common Stock which may without shareholder approval be issued under the Plan, then this option shall be void with respect to those excess shares, unless shareholder approval of an amendment sufficiently increasing the number of shares of Common Stock issuable under the Plan is obtained in accordance with the provisions of the Plan.

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16. **Additional Terms Applicable to a U.S. Incentive Option.** In the event this option is designated an Incentive Option in the Grant Notice (Incentive Options are only applicable to U.S. taxpayers), the following terms and conditions shall also apply to the grant:
- a) This option shall cease to qualify for favorable tax treatment as an Incentive Option if (and to the extent) this option is exercised for one or more Option Shares: (A) more than three (3) months after the date Optionee ceases to be an Employee for any reason other than death or Permanent Disability or (B) more than twelve (12) months after the date Optionee ceases to be an Employee by reason of Permanent Disability.
 - b) No installment under this option shall qualify for favorable tax treatment as an Incentive Option if (and to the extent) the aggregate Fair Market Value (determined at the Grant Date) of the Common Stock for which such installment first becomes exercisable hereunder would, when added to the aggregate value (determined as of the respective date or dates of grant) of the Common Stock or other securities for which this option or any other Incentive Options granted to Optionee prior to the Grant Date (whether under the Plan or any other option plan of the Corporation or any Parent or Subsidiary) first become exercisable during the same calendar year, exceed One Hundred Thousand Dollars (\$100,000) in the aggregate. Should such One Hundred Thousand Dollar (\$100,000) limitation be exceeded in any calendar year, this option shall nevertheless become exercisable for the excess shares in such calendar year as a Non-Statutory Option.
 - c) Should the exercisability of this option be accelerated upon a Corporate Transaction, then this option shall qualify for favorable tax treatment as an Incentive Option only to the extent the aggregate Fair Market Value (determined at the Grant Date) of the Common Stock for which this option first becomes exercisable in the calendar year in which the Corporate Transaction occurs does not, when added to the aggregate value (determined as of the respective date or dates of grant) of the Common Stock or other securities for which this option or one or more other Incentive Options granted to Optionee prior to the Grant Date (whether under the Plan or any other option plan of the Corporation or any Parent or Subsidiary) first become exercisable during the same calendar year, exceed One Hundred Thousand Dollars (\$100,000) in the aggregate. Should the applicable One Hundred Thousand Dollar (\$100,000) limitation be exceeded in the calendar year of such Corporate Transaction, the option may nevertheless be exercised for the excess shares in such calendar year as a Non-Statutory Option.
 - d) Should Optionee hold, in addition to this option, one or more other options to purchase Common Stock which become exercisable for the first time in the same calendar year as this option, then the foregoing limitations on the exercisability of such options as Incentive Options shall be applied on the basis of the order in which such options are granted.
17. **Leave of Absence.** The following provisions shall apply upon Optionee's commencement of an authorized leave of absence:
- a) The vesting of the option will not be suspended and will continue in accordance with the vesting schedule under the Grant Notice during Optionee's authorized leave of absence from the Corporation, or the Parent or Subsidiary employing Optionee, subject to the remaining terms of this Agreement and the Plan.

b) If the option is designated as an Incentive Option in the Grant Notice, then the following additional provision shall apply:

If the leave of absence continues for more than three (3) months, then this option shall automatically convert to a Non-Statutory Option under the Federal tax laws at the end of the six (6)-month period measured from the first (1st) day of such leave, unless Optionee's reemployment rights are guaranteed by statute or by written agreement. Following any such conversion of the option, all subsequent exercises of such option, whether effected before or after Optionee's return to active Employee status, shall result in an immediate taxable event, and the Corporation shall be required to collect from Optionee the Federal, state and local income and employment withholding taxes applicable to such exercise.

18. **Tax Responsibility/Withholding.** Regardless of any action the Corporation or Optionee's employer (the "Employer") takes with respect to any or all income tax (including foreign, federal, state and local tax), social insurance, payroll tax, payment on account or other tax-related items related to Optionee's participation in the Plan and legally applicable to Optionee ("Withholding Taxes"), Optionee acknowledges that the ultimate liability for all Withholding Taxes legally due by him or her is and remains his or her responsibility and may exceed the amount actually withheld by the Corporation and/or the Employer. Optionee further acknowledges that the Corporation and/or the Employer (i) make no representations or undertakings regarding the treatment of any Withholding Taxes in connection with any aspect of the options, including but not limited to, the grant, vesting, exercise of the options, the issuance of shares of Common Stock upon exercise, the subsequent sale of shares of Common Stock acquired pursuant to the exercise of the option and the receipt of any dividends; and (ii) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the option to reduce or eliminate Optionee's liability for Withholding Taxes or achieve any particular tax result. Further, if Optionee has become subject to tax in more than one jurisdiction, Optionee acknowledges that the Corporation and/or the Employer (or former employer, as applicable) may be required to withhold or account for Withholding Taxes in more than one jurisdiction. Prior to any relevant taxable or tax withholding event ("Tax Date"), as applicable, Optionee will pay or make adequate arrangements satisfactory to the Corporation and/or the Employer to satisfy all Withholding Taxes. In this regard, Optionee authorizes the Corporation and/or the Employer or their respective agents, at their discretion, to satisfy the obligations with regard to all Withholding Taxes by one or a combination of the following: (A) accept a cash payment in U.S. dollars in the amount of Withholding Taxes, (B) withhold whole shares of Common Stock which would otherwise be delivered to Optionee having an aggregate Fair Market Value, determined as of the Tax Date, or withhold an amount of cash from Optionee's wages or other cash compensation which would otherwise be payable to Optionee by the Corporation and/or the Employer, equal to the amount necessary to satisfy any such obligations, (C) withhold from proceeds of the sale of shares of Common Stock acquired upon exercise of the option either through a voluntary sale or through a mandatory sale arranged by the Corporation (on Optionee's behalf pursuant to this authorization), or (D) a cash payment to the Corporation by a broker-dealer acceptable to the Corporation to whom Optionee has submitted an irrevocable notice of exercise. To avoid negative accounting treatment, the Corporation may withhold or account for Withholding Taxes by considering applicable minimum statutory withholding rates. If the obligation for Withholding Taxes is satisfied by withholding in shares of Common Stock, for tax purposes, Optionee is deemed to have been issued the full number of shares of Common Stock subject to the option, notwithstanding that a number of

shares of Common Stock are held back solely for the purpose of paying the Withholding Taxes. Finally, Optionee shall pay to the Corporation or the Employer any amount of Withholding Taxes that the Corporation or the Employer may be required to withhold as a result of Optionee's participation in the Plan that cannot be satisfied by the means previously described. The Corporation shall have sole discretion to deliver the shares of Common Stock if Optionee fails to comply with his or her obligations in connection with the Withholding Taxes as described in this section and Optionee unconditionally consents to and approves any such action taken by the Corporation. Optionee (or any beneficiary or person entitled to act on Optionee's behalf) shall provide the Corporation with any forms, documents or other information reasonably required by the Corporation.

19. **Labor Law.** By accepting this option grant, the Optionee acknowledges that: (a) the grant of this option is a one-time benefit which does not create any contractual or other right to receive future grants of options, or benefits in lieu of options; (b) all determinations with respect to any future grants, including, but not limited to, the times when the options shall be granted, the number of shares of Common Stock issuable pursuant to each award of options, the time or times when options shall vest, will be at the sole discretion of the Corporation; (c) the Optionee's participation in the Plan is voluntary; (d) this award of options is an extraordinary item of compensation which is outside the scope of the Optionee's employment contract, if any; (e) this award of options is not part of the Optionee's normal or expected compensation for purposes of calculating any severance, resignation, redundancy, end-of-service payments, bonuses, long-service awards, pension or retirement benefits or similar payments; (f) the vesting of this award of options ceases upon termination of Service for any reason except as may otherwise be explicitly provided in the Plan or this Agreement; (g) the future value of the underlying shares of Common Stock is unknown and cannot be predicted with certainty and may decrease even lower than the Exercise Price; (h) this award of options has been granted to the Optionee in the Optionee's status as an Employee, a non-employee member of the Board or a consultant or independent advisor of the Corporation or its Parent or Subsidiary; (i) any claims resulting from this award of options shall be enforceable, if at all, against the Corporation; (j) in consideration of the grant of this award, no claim or entitlement to compensation or damages shall arise from termination of the award or diminution in value of the award or any of the shares issuable under the award from termination of Optionee's Service by the Corporation or Employer, as applicable (and for any reason whatsoever and whether or not in breach of contract or local labor laws), and Optionee irrevocably releases his or her Employer, the Corporation and its Subsidiaries, as applicable, from any such claim that may arise; if, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen, then, by signing this Agreement, Optionee shall be deemed to have irrevocably waived his or her entitlement to pursue such claim; and (k) in the event that Employer is not the Corporation, the grant of the options will not be interpreted to form an employment contract or relationship with the Corporation and, furthermore, the grant of the options will not be interpreted to form an employment contract with the Employer or any Subsidiary.
20. **Disclosure of Optionee Information.**
- a) ***Optionee hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of Optionee's personal data as described in this Agreement by and among, as applicable, Optionee's employer, the Corporation and its Subsidiaries for the exclusive purpose of implementing, administering and managing Optionee's participation in the Plan.***

b) *For Optionees outside the U.S., Optionee understands that Optionee's employer, the Corporation and its Subsidiaries, as applicable, hold certain personal information about Optionee regarding Optionee's employment, the nature and amount of Optionee's compensation and the fact and conditions of Optionee's participation in the Plan, including, but not limited to, Optionee's name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, health, job title, any shares of stock or directorships held in the Corporation and its Subsidiaries, details of all options, awards or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding in Optionee's favor, for the purpose of implementing, administering and managing the Plan (the "Data"). Optionee understands that the Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in Optionee's country, or elsewhere, and that the recipient's country may have different data privacy laws and protections than Optionee's country. Optionee understands that Optionee may request a list with the names and addresses of any potential recipients of the Data by contacting Optionee's local human resources representative. Optionee authorizes the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing Optionee's participation in the Plan, including any requisite transfer of such Data as may be required to a broker or other third party. Optionee understands that the Data will be held only as long as is necessary to implement, administer and manage Optionee's participation in the Plan. Optionee understands that Optionee may, at any time, view the Data, request additional information about the storage and processing of the Data, require any necessary amendments to the Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing Optionee's local human resources representative. Optionee understands, however, that refusing or withdrawing Optionee's consent may affect Optionee's ability to participate in the Plan. For more information on the consequences of Optionee's refusal to consent or withdrawal of consent, Optionee understands that Optionee may contact his or her local human resources representative.*

21. **Governing Law.** The interpretation, performance and enforcement of this Agreement shall be governed by the laws of the State of California without resort to that State's conflict-of-laws rules.

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22. **Imposition of Other Requirements.** The Corporation reserves the right to impose other requirements on Optionee's participation in the Plan, on the award and on any shares of Common Stock acquired under the Plan, to the extent the Corporation determines it is necessary or advisable in order to comply with any applicable law or facilitate the administration of the Plan. Optionee agrees to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing. Furthermore, Optionee acknowledges that the laws of the country in which Optionee is working at the time of grant, vesting or the sale of shares of Common Stock received pursuant to this award (including any rules or regulations governing securities, foreign exchange, tax, labor, or other matters) may subject Optionee to additional procedural or regulatory requirements that Optionee is and will be solely responsible for and must fulfill.
 23. **Translations.** If Optionee has received this Agreement or any other document or communication related to the Plan or this grant in a language other than English and the meaning in the translation is different than in the English version, the terms expressed in the English version will govern.
 24. **Appendix B.** Notwithstanding any provisions in this Agreement, the award shall be subject to any special terms and conditions set forth in any appendix to this Agreement (the "Appendix B") for Optionee's country. Moreover, if Optionee relocates to one of the countries included in Appendix B, the special terms and conditions for such country will apply to Optionee, to the extent the Corporation determines that the application of such terms and conditions is necessary or advisable in order to comply with local law or facilitate the administration of the Plan. The Appendix B constitutes part of this Agreement.

APPENDIX A

The following definitions shall be in effect under the Agreement:

- A. **Agreement** shall mean this Stock Option Agreement.
- B. **Board** shall mean the Corporation's Board of Directors.
- C. **Common Stock** shall mean shares of the Corporation's common stock.
- D. **Code** shall mean the Internal Revenue Code of 1986, as amended.
- E. **Corporate Transaction** shall mean either of the following shareholder-approved transactions to which the Corporation is a party:
 - i. a merger or consolidation in which securities possessing more than fifty percent (50%) of the total combined voting power of the Corporation's outstanding securities are transferred to a person or persons different from the persons holding those securities immediately prior to such transaction, or
 - ii. the sale, transfer or other disposition of all or substantially all of the Corporation's assets in complete liquidation or dissolution of the Corporation.
- F. **Corporation** shall mean NetApp, Inc., a Delaware corporation, and any successor corporation to all or substantially all of the assets or voting stock of NetApp, Inc. which shall by appropriate action adopt the Plan.
- G. **Employee** shall mean an individual who is in the employ of the Corporation (or any Parent or Subsidiary), subject to the control and direction of the employer entity as to both the work to be performed and the manner and method of performance.
- H. **Exercise Date** shall mean the date on which the option shall have been exercised in accordance with Paragraph 9 of the Agreement.
- I. **Exercise Price** shall mean the exercise price per Option Share as specified in the Grant Notice.
- J. **Expiration Date** shall mean the date on which the option expires as specified in the Grant Notice.
- K. **Fair Market Value** per share of Common Stock on any relevant date shall be determined in accordance with the following provisions:
 - i. If the Common Stock is at the time traded on the Nasdaq National Market, then the Fair Market Value shall be deemed equal to the closing selling price per share of Common Stock on the date in question, as the price is reported by the National Association of Securities Dealers on the Nasdaq National Market and published in The Wall Street Journal. If there is no closing selling price for the Common Stock on the date in question, then the Fair Market Value shall be the closing selling price on the last preceding date for which such quotation exists, or
 - ii. If the Common Stock is at the time listed on any Stock Exchange, then the Fair Market Value shall be deemed equal to the closing selling price per share of Common Stock on the date in question on the Stock Exchange determined by the Plan Administrator to be the primary market for the Common Stock, as such price is officially quoted in the composite tape of transactions on such exchange and published in The Wall Street Journal. If there is no closing selling price for the Common Stock on the date in question, then the Fair Market Value shall be the closing selling price on the last preceding date for which such quotation exists.

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- L. **Grant Date** shall mean the date of grant of the option as specified in the Grant Notice.
- M. **Grant Notice** shall mean the Notice of Grant of Stock Option accompanying the Agreement, pursuant to which Optionee has been informed of the basic terms of the option evidenced hereby.
- N. **Incentive Option** shall mean an option which satisfies the requirements of Code Section 422.
- O. **Misconduct** shall mean the commission of any act of fraud, embezzlement or dishonesty by Optionee, any unauthorized use or disclosure by Optionee of confidential information or trade secrets of the Corporation (or any Parent or Subsidiary), or any other intentional misconduct by Optionee adversely affecting the business or affairs of the Corporation (or any Parent or Subsidiary) in a material manner. The foregoing definition shall not be deemed to be inclusive of all the acts or omissions which the Corporation (or any Parent or Subsidiary) may consider as grounds for the dismissal or discharge of Optionee or any other individual in the Service of the Corporation (or any Parent or Subsidiary).
- P. **Non-Statutory Option** shall mean an option not intended to satisfy the requirements of Code Section 422.
- Q. **Option Shares** shall mean the number of shares of Common Stock subject to the option as specified in the Grant Notice.
- R. **Optionee** shall mean the person to whom the option is granted as specified in the Grant Notice.
- S. **Parent** shall mean any corporation (other than the Corporation) in an unbroken chain of corporations ending with the Corporation, provided each corporation in the unbroken chain (other than the Corporation) owns, at the time of the determination, stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.
- T. **Permanent Disability** shall mean the inability of Optionee to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which is expected to result in death or has lasted or can be expected to last for a continuous period of twelve (12) months or more.
- U. **Plan** shall mean the Corporation's 1999 Stock Option Plan.
- V. **Plan Administrator** shall mean either the Board or a committee of the Board acting in its capacity as administrator of the Plan.
- W. **Service** shall mean Optionee's performance of services for the Corporation (or any Parent or Subsidiary) in the capacity of an Employee, a non-employee member of the board of directors or a consultant or independent advisor.
- X. **Stock Exchange** shall mean the American Stock Exchange or the New York Stock Exchange.
- Y. **Subsidiary** shall mean any corporation (other than the Corporation) in an unbroken chain of corporations beginning with the Corporation, provided each corporation (other than the last corporation) in the unbroken chain owns, at the time of the determination, stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

APPENDIX B
ADDITIONAL TERMS AND CONDITIONS OF THE
NETAPP, INC. 1999 STOCK OPTION PLAN
STOCK OPTION AGREEMENT

Terms and Conditions

This Appendix B includes additional terms and conditions that govern the stock options granted to you under the Plan if you reside in one of the countries listed below. Certain capitalized terms used but not defined in this Appendix have the meanings set forth in the Plan and/or the Agreement.

Notifications

This Appendix also includes information regarding exchange controls and certain other issues of which you should be aware with respect to your participation in the Plan. The information is based on the securities, exchange control and other laws in effect in the respective countries as of August 2013. Such laws are often complex and change frequently. As a result, the Corporation strongly recommends that you not rely on the information in this Appendix B as the only source of information relating to the consequences of your participation in the Plan because the information may be out of date at the time that the stock options vest, or are exercised or when you sell shares acquired under the Plan.

In addition, the information contained herein is general in nature and may not apply to your particular situation and the Corporation is not in a position to assure you of a particular result. Accordingly, you are advised to seek appropriate professional advice as to how the relevant laws in your country may apply to your situation.

Finally, if you are a citizen or resident of a country other than the one in which you are currently working, the information contained herein may not be applicable to you.

ARGENTINA

Notifications

Securities Law Information. Neither the options nor the issuance of the shares are publicly offered or listed on any stock exchange in Argentina. The offer is private and not subject to the supervision of any Argentine governmental authority.

Exchange Control Information. Currently, it is not possible to send funds outside of Argentina for the purchase of Corporation shares. Therefore, unless you have funds abroad, you will not be able to engage in a cash exercise pursuant to which you pay cash for the shares. Also, in the event that you transfer proceeds in excess of US\$2,000,000 from the sale of shares into Argentina in a single month, you will be subject to certain exchange control laws. Please note that exchange control regulations in Argentina are subject to frequent change. You should consult with your personal legal advisor regarding any exchange control obligations that you may have.

AUSTRALIA

Terms and Conditions

Australian Addendum. You understand and agree that the options are offered subject to and in accordance with the terms of the Plan and the Australian Addendum to the Plan. You further agree to be bound by the terms of the Plan as supplemented for implementation in Australia by the Australian Addendum and the terms of the options as set forth in the Agreement.

AUSTRIA

Notifications

Exchange Control Information. If you hold shares obtained through the Plan outside of Austria, you must submit a report to the Austrian National Bank. An exemption applies if the value of the shares as of any given quarter does not exceed €30,000,000 or as of December 31 does not exceed €5,000,000. If the former threshold is exceeded, quarterly obligations are imposed, whereas if the latter threshold is exceeded, annual reports must be given. The annual reporting date is as of December 31 and the deadline for filing the annual report is March 31 of the following year.

When shares are sold, there may be exchange control obligations if the cash received is held outside Austria. If the transaction volume of all your accounts abroad exceeds €3,000,000, the movements and balances of all accounts must be reported monthly, as of the last day of the month, on or before the fifteenth day of the following month.

Consumer Protection Information. If the provisions of the Austrian Consumer Protection Act are applicable to the Agreement and the Plan, you may be entitled to revoke your acceptance of the Agreement under the conditions listed below:

- i. if you accept the options outside the business premises of the Corporation, you may be entitled to revoke your acceptance of the Agreement, provided the revocation is made within one week after you accept the Agreement.
- ii. The revocation must be in written form to be valid. It is sufficient if you return the Agreement to the Corporation or the Corporation's representative with language which can be understood as your refusal to conclude or honor the Agreement, provided the revocation is sent within the period set forth above.

BELGIUM

Notifications

Tax Information. If you accept this Agreement within sixty (60) days that the material terms of the grant are communicated to you in writing ("Offer Date"), you will be subject to tax on the Offer Date. If you accept this Agreement later than sixty (60) days after the Offer Date, you will be subject to tax when you exercise your option.

BRAZIL

Notifications

Exchange Control Information. If you are a resident or domiciled in Brazil, you will be required to submit an annual declaration of assets and rights held outside of Brazil (including shares of Corporation Common Stock) to the Central Bank of Brazil if the aggregate value of such assets and rights is equal to or greater than US\$100,000. In addition, if you engage in a cash exercise, you will need to work with your bank to determine the appropriate documentation to be completed to effect a transfer of currency outside of Brazil for the purchase of shares.

BULGARIA

There are no country specific provisions.

CANADA

Terms and Conditions

Exercise Forms. You will not be permitted to exercise your options by surrendering shares that you already own for the payment of the Exercise Price (e.g., a “stock swap” exercise).

Termination of Service. Regardless of terms in the Agreement to the contrary, your right to vest in the options (and the starting point for any post termination exercise period) will terminate effective as of the date that is the earlier of (1) the date you receive notice of termination of Service from the Corporation or the Employer, or (2) the date your Service terminates, regardless of any notice period or period of pay in lieu of such notice required under local law (including, but not limited to statutory law, regulatory law and/or common law); the Corporation shall have the exclusive discretion to determine when you are no longer providing Service for purposes of the options.

Authorization of Release and Transfer Necessary Personal Information. This provision supplements Paragraph 20 of the Agreement:

You hereby authorize the Corporation and the Corporation’s representatives to discuss with and obtain all relevant information from all personnel, professional or not, involved in the administration and operation of the Plan. You further authorize the Corporation, any Parent or Subsidiary and the administrator of the Plan to disclose and discuss the Plan with their advisors. You further authorize the Corporation and any Parent or Subsidiary to record such information and to keep such information in your employee file.

French Language Provision. The following provisions will apply if you are a resident of Quebec:

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

Les parties reconnaissent avoir exigé la rédaction en anglais de cette convention (“Agreement”), ainsi que de tous documents exécutés, avis donnés et procédures judiciaires intentées, directement ou indirectement, relativement à la présente convention.

CHILE

Notifications

Securities Law Information. Neither the Corporation nor the shares that may be issued under this award are registered with the Chilean Registry of Securities or under the control of the Chilean Superintendence of Securities.

Exchange Control Information. It is your responsibility to make sure that you comply with exchange control requirements in Chile when the value of your share transaction is in excess of US\$10,000.

If you use the cash exercise method to exercise your option and you remit in excess of US\$10,000 out of Chile, the remittance must be made through the Formal Exchange Market (i.e., a commercial bank or registered foreign exchange office). In such case, you will be required to provide certain information regarding the remittance of funds.

If you use the cashless exercise method and the aggregate value of the Exercise Price exceed US\$10,000, you must sign Annex 1 of the Manual of Chapter XII of the Foreign Exchange Regulations and file it directly with the Central Bank within ten (10) days of the exercise date.

You are not required to repatriate funds obtained from the sale of shares acquired pursuant to your grant of options. However, if you decide to repatriate such funds, you must do so through the Formal Exchange Market if the amount of the funds exceeds US\$10,000. In such case, you must report the payment to a commercial bank or registered foreign exchange office receiving the funds.

If your aggregate investments held outside of Chile exceeds US\$5,000,000 (including shares acquired under the Plan), you must report the investments annually to the Central Bank. Annex 3.1 of Chapter XII of the Foreign Exchange Regulations must be used to file this report.

Please note that exchange control regulations in Chile are subject to change. You should consult with your personal legal advisor regarding any exchange control obligations that you may have prior to exercising your options.

Annual Tax Reporting Obligation. The Chilean Internal Revenue (the "CIRS") requires all taxpayers to provide information annually regarding: (i) the taxes paid abroad which they will use as a credit against Chilean income taxes, and (ii) the gains/losses from foreign investments. These annual reporting obligations must be complied with by submitting a sworn statement setting forth this information before March 15 of each year. The forms to be used to submit the sworn statement are Tax Form 1853 "Annual Sworn Statement Regarding Credits for Taxes Paid Abroad" and Tax Form 1851 "Annual Sworn Statement Regarding Investments Held Abroad." If you are not a Chilean citizen and have been a resident in Chile for less than three years, you are exempt from the requirement to file Tax Form 1853. These statements must be submitted electronically through the CIRS website at <http://www.sii.cl>.

CHINA

Terms and Conditions

Cashless Exercise Restriction. Notwithstanding anything to the contrary in the Agreement or the Plan, due to regulatory requirements in China, you will be required to exercise your option using the cashless sell-all exercise method whereby all shares of Common Stock subject to the exercised option will be sold immediately upon exercise and the proceeds of the sale, less the exercise price, any Withholding Taxes and broker's fees or commissions, will be remitted to you in accordance with any applicable exchange control laws and regulations. You will not be permitted to acquire and hold shares of Common Stock upon exercise.

Exchange Control Requirements. You understand and agree that, pursuant to local exchange control requirements, you will be required to repatriate the cash proceeds from the immediate sale of the shares to China. You further understand that, under local law, such repatriation of your cash proceeds may need to be effectuated through a special exchange control account established by the Corporation, Parent or Subsidiary or the Employer, and you hereby consent and agree that any proceeds from the sale of any shares issued upon the exercise of the options may be transferred to such special account prior to being delivered to you. If the proceeds from the sale of your shares are converted to local currency, you acknowledge that the Corporation is under no obligation to secure any exchange conversion rate, and the Corporation may face delays in converting the proceeds to local currency due to exchange control restrictions in China. You agree to bear the risk of any exchange conversion rate fluctuation between the date the options are exercised and the date of conversion of the proceeds from the sale of the shares issued upon exercise to local currency. You further agree to comply with any other requirements that may be imposed by the Corporation in the future in order to facilitate compliance with exchange control requirements in China.

CZECH REPUBLIC

Notifications

Exchange Control Information. The Czech National Bank may require you to fulfill certain notification duties in relation to the options and the opening and maintenance of a foreign account. However, because exchange control regulations change frequently and without notice, you should consult your personal legal advisor prior to exercising your options to ensure compliance with current regulations. It is your responsibility to comply with applicable Czech exchange control laws.

DENMARK

Notifications

Exchange Control Information. If you establish an account holding shares or an account holding cash outside Denmark, you must report the account to the Danish Tax Administration. The form which should be used in this respect can be obtained from a local bank. (Please note that these obligations are separate from and in addition to the obligations described below.)

Securities/Tax Reporting Information. If you hold shares acquired under the Plan in a brokerage account with a broker or bank outside Denmark, you are required to inform the Danish Tax Administration about the account. For this purpose, you must file a Form V (*Erklaering V*) with the Danish Tax Administration. The Form V must be signed both by you and by the applicable broker or bank where the account is held. By signing the Form V, the broker or bank undertakes to forward information to the Danish Tax Administration concerning the shares in the account without further request each year. By signing the Form V, you authorize the Danish Tax Administration to examine the account. A sample of the Form V can be found at the following website: www.skat.dk.

In addition, if you open a brokerage account (or a deposit account with a U.S. bank) for the purpose of holding cash outside Denmark, you are also required to inform the Danish Tax Administration about this account. To do so, you must also file a Form K (*Erklaering K*) with the Danish Tax Administration. The Form K must be signed both by you and by the applicable broker or bank where the account is held. By signing the Form K, the broker/bank undertakes an obligation, without further request each year, to forward information to the Danish Tax Administration concerning the content of the account. By signing the Form K, you authorize the Danish Tax Administration to examine the account. A sample of Form K can be found at the following website: www.skat.dk.

FINLAND

There are no country specific provisions.

FRANCE

Terms and Conditions

Consent to Receive Information in English. By accepting the options, you confirm having read and understood the Plan and the Agreement, which were provided in the English language. You accept the terms of those documents accordingly.

En acceptant cette attribution gratuite d'actions, vous confirmez avoir lu et comprenez le Plan et ce Contrat, incluant tous leurs termes et conditions, qui ont été transmis en langue anglaise. Vous acceptez les dispositions de ces documents en connaissance de cause.

Notifications

Exchange Control Information. If you hold shares of Common Stock outside of France or maintain a foreign bank account, you are required to report such to the French tax authorities when you file your annual tax return.

GERMANY

Notifications

Exchange Control Information. Cross-border payments in excess of €12,500 must be reported monthly to the German Federal Bank. If you use a German bank to transfer a cross-border payment in excess of €12,500 in connection with the sale of shares acquired under the Plan, the bank will make the report for you. In addition, you must report any receivables, payables, or debts in foreign currency exceeding an amount of €5,000,000 on a monthly basis.

GREECE

Notifications

Exchange Control Information. If you exercise your option through a cash exercise, withdraw funds from a bank in Greece and remit those funds out of Greece, you may be required to submit certain documentation/ information to the Greek bank to ensure that the transfer is not in violation of Greek anti-money laundering rules. If you exercise your option through a cashless exercise, this submission will not be required since no funds will be remitted out of Greece.

HONG KONG

Terms and Conditions

Securities Notification. Warning: The options and shares issued at exercise do not constitute a public offering of securities under Hong Kong law and are available only to employees of the Corporation, its Parent, Subsidiary or Affiliates. The Agreement, including this Appendix B, the Plan and other incidental communication materials have not been prepared in accordance with and are not intended to constitute a "prospectus" for a public offering of securities under the applicable securities legislation in Hong Kong nor have the documents been reviewed by any regulatory authority in Hong Kong. The options are

intended only for the personal use of each eligible employee of the Employer, the Corporation or any Parent or Subsidiary and may not be distributed to any other person. If you are in any doubt about any of the contents of the Agreement, including this Appendix B, or the Plan, you should obtain independent professional advice.

Sale of Shares. In the event shares are issued to you within six months of the grant date, you agree that you will not dispose of any shares acquired prior to the six-month anniversary of the grant date.

Notifications

Nature of Scheme. The Corporation specifically intends that the Plan will not be an occupational retirement scheme for purposes of the Occupational Retirement Schemes Ordinance.

HUNGARY

No country specific provisions.

INDIA

Notifications

Exchange Control Information. You understand that you must repatriate any proceeds from the sale of shares acquired under the Plan to India and convert the proceeds into local currency within 90 days of receipt. You will receive a foreign inward remittance certificate (“FIRC”) from the bank where you deposit the foreign currency. You should maintain the FIRC as evidence of the repatriation of funds in the event the Reserve Bank of India or the Employer requests proof of repatriation.

Tax Information. The amount subject to tax at exercise will partially be dependent upon a valuation that the Corporation will obtain from a Merchant Banker in India. The Corporation has no responsibility or obligation to obtain the most favorable valuation possible nor obtain valuations more frequently than required under Indian tax law.

INDONESIA

Terms and Conditions

Cashless Exercise Restriction. Notwithstanding anything to the contrary in the Agreement or the Plan, due to regulatory requirements in Indonesia, you will be required to exercise your option using the cashless sell-all exercise method whereby all shares of Common Stock subject to the exercised option will be sold immediately upon exercise and the proceeds of the sale, less the exercise price, any Withholding Taxes and broker’s fees or commissions, will be remitted to you in accordance with any applicable exchange control laws and regulations. You will not be permitted to acquire and hold shares of Common Stock upon exercise. The Corporation reserves the right to provide additional methods of exercise to you in the future depending on the development of local law.

Notifications

Exchange Control Information. If you remit proceeds from the sale of shares into Indonesia, the Indonesian Bank through which the transaction is made will submit a report on the transaction to the Bank of Indonesia for statistical reporting purposes. For transactions of US\$10,000 or more, a description of the transaction must be included in the report. Although the bank through which the transaction is made is required to make the report, you must complete a “Transfer Report Form.” The Transfer Report Form will be provided to you by the bank through which the transaction is made.

IRELAND

Notifications

Director Notification Obligation. If you are a director, shadow director or secretary of the Corporation's Irish Subsidiary or affiliate, you must notify the Irish Subsidiary or affiliate in writing within five business days of receiving or disposing of an interest in the Corporation (*e.g.*, options, shares, etc.), or within five business days of becoming aware of the event giving rise to the notification requirement or within five days of becoming a director or secretary if such an interest exists at the time. This notification requirement also applies with respect to the interests of a spouse or children under the age of 18 (whose interests will be attributed to the director, shadow director or secretary).

ISRAEL

Terms and Conditions

Trust Arrangement. You understand and agree that the options are offered subject to and in accordance with the terms of the trust agreement. Specifically, the shares issued upon exercise of the options shall be delivered to and controlled by a trustee appointed by the Corporation or its Subsidiary or affiliate in Israel (the "Trustee") for your benefit for at least such period of time as required by Section 102 or any shorter period determined under the Israeli Income Tax Ordinance [New Version] 1961 as now in effect or as hereafter amended (the "Ordinance") or by the Israeli Tax Authority (the "Lock-Up Period"). The options and shares shall be controlled by the Trustee for the benefit of you and the provisions of Section 102 of the Ordinance and the Income Tax (Tax Abatement on the Grant of Shares to Employees) Regulations 2003 shall apply to such options or shares for all purposes. You shall be able, at any time, to request the sale of the shares or the release of the shares from the Trustee, subject to the terms of the Plan, this Agreement and any applicable law. Without derogating from the aforementioned, if the shares are released by the Trustee during the Lock-Up Period, the sanctions under Section 102 of the Ordinance shall apply to and be borne by you. The shares shall not be sold or released from the control of the Trustee unless the Corporation, the Employer and the Trustee are satisfied that the full amount of Withholding Taxes due have been paid or will be paid in relation thereto.

ITALY

Terms and Conditions

Data Privacy Notice. The following provision replaces Paragraph 20 of the Agreement:

Participant understands that the Employer and/or the Corporation may hold certain personal information about him or her, including, but not limited to, his or her name, home address and telephone number, date of birth, social security number (or any other social or national identification number), salary, nationality, job title, number of shares held and the details of all options or any other entitlement to shares awarded, cancelled, exercised, vested, unvested or outstanding (the "Data") for the purpose of implementing, administering and managing Participant's participation in the Plan. Participant is aware that providing the Corporation with the Data is necessary for the performance of this Agreement and that Participant's refusal to provide such Data would make it impossible for the Corporation to perform its contractual obligations and may affect his or her ability to participate in the Plan.

The Controller of personal data processing is [INSERT], with registered offices at [INSERT], USA, and, pursuant to D.lgs 196/2003, its representative in Italy is [INSERT NAME OF LOCAL SUB IN ITALY] with registered offices at [INSERT]. Participant understands that the Data may be transferred to the Corporation or any of its Subsidiaries or Affiliates, or to any third parties assisting in the implementation, administration and management of the Plan, including any transfer required to a broker or other third party with whom shares acquired pursuant to the exercise of the options or cash from the sale of shares acquired pursuant to the Plan may be deposited. Furthermore, the recipients that may receive, possess, use, retain and transfer such Data for the above mentioned purposes may be located in Italy or elsewhere, including outside of the European Union and that the recipients' country (e.g., the United States) may have different data privacy laws and protections than Italy. The processing activity, including the transfer of Participant's personal data abroad, outside of the European Union, as herein specified and pursuant to applicable laws and regulations, does not require Participant's consent thereto as the processing is necessary for the performance of contractual obligations related to the implementation, administration and management of the Plan. Participant understands that Data processing relating to the purposes above specified shall take place under automated or non-automated conditions, anonymously when possible, that comply with the purposes for which Data are collected and with confidentiality and security provisions as set forth by applicable laws and regulations, with specific reference to D.lgs. 196/2003.

Participant understands that Data will be held only as long as is required by law or as necessary to implement, administer and manage his or her participation in the Plan. Participant understands that pursuant to art.7 of D.lgs 196/2003, he or she has the right, including but not limited to, access, delete, update, request the rectification of his or her personal Data and cease, for legitimate reasons, the Data processing. Furthermore, Participant is aware that his or her Data will not be used for direct marketing purposes.

Plan Document Acknowledgment. In accepting the options, you acknowledge that you have received a copy of the Plan and the Agreement and have reviewed the Plan and the Agreement, including this Appendix B, in their entirety and fully understand and accept all provisions of the Plan and the Agreement, including this Appendix B.

In addition, you further acknowledge that you have read and specifically and expressly approve without limitation the following clauses in the Agreement: Paragraph 5 (Cessation of Service); Paragraph 18 (Tax Responsibility/Withholding); Paragraph 19 (Labor Law); and Paragraph 20 (Disclosure of Optionee Information).

Notifications

Tax/Exchange Control Information. You are required to report on your annual tax return: (a) any transfers of cash or shares to or from Italy exceeding €10,000 or the equivalent amount in U.S. dollars; (b) any foreign investments or investments (including vested options, the shares issued at exercise of the options, cash or proceeds from the sale of shares acquired under the Plan) held outside of Italy exceeding €10,000 or the equivalent amount in U.S. dollars, if the investment may give rise to income in Italy (this will include reporting the shares issued at exercise of the options if the fair market value of such shares combined with other foreign assets exceed €10,000); and (c) the amount of the transfers to and from abroad which have had an impact during the calendar year on your foreign investments or investments held outside of Italy. You are exempt from the formalities in (a) if the investments are made through an authorized broker resident in Italy, as the broker will comply with the reporting obligation on your behalf.

JAPAN

There are no country specific provisions.

KAZAKHSTAN

Notifications

Exchange Control Information. Although Kazakh residents are no longer required to obtain a license from the National Bank of Kazakhstan before obtaining securities in foreign companies, you are nevertheless required to notify the National Bank of Kazakhstan when you acquire shares under the Plan.

KOREA

Notifications

Exchange Control Information. To remit funds out of Korea to exercise the option by means of a cash exercise method, you must obtain a confirmation of the remittance by a foreign exchange bank in Korea. Also, if you realize US\$500,000 or more from the sale of shares, Korean exchange control laws require you to repatriate the proceeds to Korea within 18 months of the sale.

LUXEMBOURG

Notifications

Exchange Control Information. You are required to report any outward and inward remittances of funds to the *Banque Central de Luxembourg* and/or the *Service Central de La Statistique et des Etudes Economiques* within 15 working days following the month during the transaction occurred. If a Luxembourg financial institution is involved in the transaction, it generally will fulfill the reporting obligation on your behalf.

MALAYSIA

Notifications

Malaysian Insider Trading Notification. You should be aware of the Malaysian insider-trading rules, which may impact your acquisition or disposal of shares or rights to shares under the Plan. Under the Malaysian insider-trading rules, you are prohibited from acquiring or selling shares or rights to shares (*e.g.*, an award under the Plan) when you are in possession of information which is not generally available and which you know or should know will have a material effect on the price of shares once such information is generally available.

Director Notification Obligation. If you are a director of the Corporation's Malaysian Subsidiary or affiliate, you are subject to certain notification requirements under the Malaysian Companies Act. Among these requirements is an obligation to notify the Malaysian Subsidiary or affiliate in writing when you receive or dispose of an interest (*e.g.*, an award under the Plan or shares) in the Corporation or any related company. Such notifications must be made within 14 days of receiving or disposing of any interest in the Corporation or any related company.

MEXICO

Terms and Conditions

Modification. By accepting the options, you understand and agree that any modification of the Plan or the Agreement or its termination shall not constitute a change or impairment of the terms and conditions of employment.

Policy Statement. The award of options the Corporation is making under the Plan is unilateral and discretionary and, therefore, the Corporation reserves the absolute right to amend it and discontinue it at any time without any liability.

The Corporation, with registered offices at [INSERT] U.S.A., is solely responsible for the administration of the Plan and participation in the Plan and the acquisition of shares does not, in any way, establish an employment relationship between you and the Corporation since you are participating in the Plan on a wholly commercial basis and the sole employer is as applicable, nor does it establish any rights between you and the Employer.

Plan Document Acknowledgment. By accepting the award of options, you acknowledge that you have received copies of the Plan, have reviewed the Plan and the Agreement in their entirety and fully understand and accept all provisions of the Plan and the Agreement.

In addition, by signing the Agreement, you further acknowledge that you have read and specifically and expressly approve the terms and conditions in the Agreement, in which the following is clearly described and established: (i) participation in the Plan does not constitute an acquired right; (ii) the Plan and participation in the Plan is offered by the Corporation on a wholly discretionary basis; (iii) participation in the Plan is voluntary; and (iv) the Corporation and any Parent, Subsidiary or Affiliates are not responsible for any decrease in the value of the shares underlying the options.

Finally, you hereby declare that you do not reserve any action or right to bring any claim against the Corporation for any compensation or damages as a result of your participation in the Plan and therefore grant a full and broad release to the Employer, the Corporation and any Parent, Subsidiary or Affiliates with respect to any claim that may arise under the Plan.

Spanish Translation

Modification. Al aceptar las Unidades de Accion Restringida, usted reconoce y acuerda que cualquier modification del Plan o su terminacion no constituye un cambio o desmejora de los terminos y condiciones de empleo.

Declaracion de Politica. El Otorgamiento de Unidades de Accion Restringida de la Compañia en virtud del Plan es unilateral y discrecional y, por lo tanto, la Compañia se reserva el derecho absoluto de modificar y discontinuar el mismo en cualquier tiempo, sin responsabilidad alguna.

La Compañia, con oficinas registradas ubicadas en, es la unica responsable de la administración del Plan y de la participación en el mismo y la adquisición de Acciones no establece de forma alguna una relación de trabajo entre usted y la Compañia, ya que su participación en el Plan es completamente comercial y el unico empleador es en caso de ser aplicable, asi como tampoco establece ningun derecho entre la persona que tenga el derecho a optar y el Empleador.

Reconocimiento del Documento del Plan. Al aceptar el Otorgamiento de las Unidades de Acción Restringida, usted reconoce que ha recibido copias del Plan, ha revisado el mismo, al igual que la totalidad del Acuerdo y, que ha entendido y aceptado completamente todas las disposiciones contenidas en el Plan y en el Acuerdo.

Adicionalmente, al firmar el Acuerdo, reconoce que ha leído, y que aprueba específica y expresamente los términos y condiciones contenidos en la Renuncia de Derecho o Reclamo por Compensación del Acuerdo, en el cual se encuentra claramente descrito y establecido lo siguiente: (i) la participación en el Plan no constituye un derecho adquirido; (ii) el plan y la participación en el mismo es ofrecida por la Compañía de forma enteramente discrecional; (iii) la participación en el Plan es voluntaria; y (iv) la Compañía, así como su Sociedad controlante, Subsidiaria o Filiales no son responsables por cualquier disminución en el valor de las Acciones en relación a las Unidades de Acción Restringida.

Finalmente, declara que no se reserva ninguna acción o derecho para interponer una demanda en contra de la Compañía por compensación, dano o perjuicio alguno como resultado de su participación en el Plan y, en consecuencia, otorga el más amplio finiquito al Empleador, así como a la Compañía, a su Sociedad controlante, Subsidiaria o Filiales con respecto a cualquier demanda que pudiera originarse en virtud del Plan.

NETHERLANDS

Notifications

Insider Trading Notification. You should be aware of the Dutch insider-trading rules, which may impact the sale of shares issued to you at exercise. In particular, you may be prohibited from effectuating certain transactions involving shares if you have inside information about the Corporation. If you are uncertain whether the insider-trading rules apply to you, you should consult your personal legal advisor.

NEW ZEALAND

There are no country specific provisions.

NIGERIA

There are no country specific provisions.

NORWAY

There are no country specific provisions.

PHILIPPINES

Notifications

Securities Law Notice. You acknowledge that you are permitted to sell shares acquired under the Plan through the designated Plan broker appointed by the Corporation (or such other broker to whom you may transfer the shares), provided that such sale takes place outside of the Philippines through the facilities of the NASDAQ Global Select Market on which the shares are listed.

POLAND

Notifications

Exchange Control Information. If you hold foreign securities (including shares) and maintain accounts abroad, you may be required to file certain reports with the National Bank of Poland. Specifically, if the value of securities and cash held in such foreign accounts exceeds €15,000, you must file reports on the transactions and balances of the accounts on a quarterly basis by the 20th day of the month following the end of each quarter and an annual report by no later than January 30 of the following calendar year. Such reports are filed on special forms available on the website of the National Bank of Poland.

PORTUGAL

Notifications

Exchange Control Information. If you receive shares upon exercise, the acquisition of the shares should be reported to the Banco de Portugal for statistical purposes. If the shares are deposited with a commercial bank or financial intermediary in Portugal, such bank or financial intermediary will submit the report on your behalf. If the shares are not deposited with a commercial bank or financial intermediary in Portugal, you are responsible for submitting the report to the Banco de Portugal.

ROMANIA

Notifications

Exchange Control Information. If you deposit the proceeds from the sale of shares issued to you at exercise in a bank account in Romania, you may be required to provide the Romanian bank with appropriate documentation explaining the source of the funds. You should consult your personal advisor to determine whether you will be required to submit such documentation to the Romanian bank.

RUSSIA

Terms and Conditions

U.S. Transaction. You understand that the options shall be valid and this Agreement shall be concluded and become effective only when the Agreement is electronically received by the Corporation in the United States. Upon exercise of the options, any shares to be issued to you shall be delivered to you through a bank or brokerage account in the United States. You are not permitted to sell the shares directly to other Russian legal entities or individuals.

Notifications

Exchange Control Information. Under current exchange control regulations, within a reasonably short time after sale of the shares acquired under the Plans, you must repatriate the sale proceeds to Russia. Such sale proceeds must be initially credited to you through a foreign currency account at an authorized bank in Russia. After the sale proceeds are initially received in Russia, they may be further remitted to foreign banks in accordance with Russian exchange control laws. In addition, if you engage in a cash exercise, you should check with your bank in Russia regarding the restrictions and requirements for such transfer of funds.

You are encouraged to contact your personal advisor before remitting your sale proceeds to Russia as exchange control requirements may change.

Securities Law Notification. This Appendix B, the Agreement, the Plan and all other materials that you may receive regarding participation in the Plan do not constitute advertising or an offering of securities in Russia. Absent any requirement under local law, the issuance of securities pursuant to the Plan has not and will not be registered in Russia; hence, the securities described in any Plan-related documents may not be used for offering or public circulation in Russia.

SAUDI ARABIA

Notifications

Securities Law Information. The Agreement may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Offers of Securities Regulations issued by the Capital Market Authority.

The Capital Market Authority does not make any representation as to the accuracy or completeness of the Agreement, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of the Agreement. You are hereby advised to conduct your own due diligence on the accuracy of the information relating to the shares. If you do not understand the contents of the Agreement, you should consult an authorized financial adviser.

SINGAPORE

Notifications

Securities Law Information. The award of options is being made in reliance on section 273(1)(f) of the Securities and Futures Act (Cap. 289) (“SFA”) pursuant to which it is exempt from the prospectus and registration requirements under the SFA.

Director Notification Obligation. If you are a director, associate director or shadow director of the Corporation’s Singapore Subsidiary or affiliate, you are subject to certain notification requirements under the Singapore Companies Act. Among these requirements is an obligation to notify the Corporation’s Singapore Subsidiary or affiliate in writing when you receive an interest (*e.g.*, options or shares) in the Corporation or any Parent, Subsidiary or affiliate. In addition, you must notify the Corporation’s Singapore Subsidiary or affiliate when you sell shares or shares of any Parent, Subsidiary or affiliate (including when you sell shares issued upon exercise). These notifications must be made within two days of acquiring or disposing of any interest in the Corporation or any Parent, Subsidiary or affiliate. In addition, a notification of your interests in the Corporation or any Parent, Subsidiary or affiliate must be made within two days of becoming a director.

SLOVENIA

There are no country specific provisions.

SOUTH AFRICA

Terms and Conditions

Taxes. By accepting the options, you agree that, immediately upon exercise of the options, you will notify the Employer of the amount of any gain realized. If you fail to advise the Employer of the gain realized upon exercise, you may be liable for a fine. You will be solely responsible for paying any difference between the actual tax liability and the amount withheld by the Employer.

Notifications

Exchange Control Information. If you engage in a cashless exercise pursuant to which you do not send funds outside of South Africa to exercise your option, no filing or reporting requirements should apply when the award is granted or when the option is exercised. However, if you engage in a cash exercise, approval from the exchange control authorities is technically required. The Corporation or your Employer may obtain this approval for you, but it is under no obligation to do so. Therefore, if you wish to engage in a cash exercise, you should check with stock plan administration in the U.S. to determine whether such approval has been obtained. Because the exchange control regulations are subject to change, you should consult your personal advisor prior to exercising the option to ensure compliance with current regulations. You are responsible for ensuring compliance with all exchange control laws in South Africa.

SPAIN

Terms and Conditions

No Entitlement for Claims or Compensation. The following provision supplements Paragraph 19 of the Agreement:

By accepting the award, you consent to participation in the Plan, and acknowledge that you have received a copy of the Plan document. You understand that the Corporation has unilaterally, gratuitously and in its sole discretion decided to make awards of options under the Plan to individuals who may be Consultants, Directors, Employees and Non-Employee Directors throughout the world. The decision is limited and entered into based upon the express assumption and condition that any options will not economically or otherwise bind the Corporation or any Parent, Subsidiary or affiliate, including the Employer, on an ongoing basis, other than as expressly set forth in the Agreement. Consequently, you understand that the award is given on the assumption and condition that the options shall not become part of any employment contract (whether with the Corporation or any Parent, Subsidiary or affiliate, including the Employer) and shall not be considered a mandatory benefit, salary for any purpose (including severance compensation) or any other right whatsoever. Furthermore, you understand and freely accept that there is no guarantee that any benefit whatsoever shall arise from the award, which is gratuitous and discretionary, since the future value of the options and the underlying shares is unknown and unpredictable. You also understand that this award would not be made but for the assumptions and conditions set forth hereinabove; thus, you understand, acknowledge and freely accept that, should any or all of the assumptions be mistaken or any of the conditions not be met for any reason, the award, the options and any right to the underlying shares shall be null and void.

Notifications

Exchange Control Information. You must declare the acquisition of shares to the *Dirección General de Política Comercial e Inversiones Exteriores* ("DGPCIE") of the *Ministerio de Economía* for statistical purposes. You must also declare the ownership of any shares with the Directorate of Foreign Transactions each January while the shares are owned. In addition, you wish to import the share certificates into Spain, you must declare the importation of such securities to the DGPCIE.

When receiving foreign currency payments derived from the ownership of shares (i.e., dividends or sale proceeds), you must inform the financial institution receiving the payment of the basis upon which such payment is made. You will need to provide the following information: (i) your name, address, and fiscal identification number; (ii) the name and corporate domicile of the Corporation; (iii) the amount of the payment and the currency used; (iv) the country of origin; (v) the reasons for the payment; and (vi) further information that may be required.

Tax Information. Effective October 2012, if you hold assets or rights outside of Spain (including shares acquired under the Plan), you may have to file an informational tax report with the tax authorities declaring such ownership. Generally, if the value of your foreign investments exceeds €50,000, you may have to file this informational return. Please note that reporting requirements are based on what you have previously disclosed and the increase in value of such and the total value of certain groups of foreign assets. Also, the thresholds for annual filing requirements may change each year. Therefore, you should consult your personal advisor regarding whether you will be required to file an informational tax report for asset and rights that you hold abroad.

SWEDEN

There are no country specific provisions.

SWITZERLAND

Notifications

Securities Law Notification The award is considered a private offering in Switzerland; therefore, it is not subject to registration in Switzerland.

TAIWAN

Notifications

Exchange Control Information. You may acquire and remit foreign currency (including proceeds from the sale of shares) into and out of Taiwan up to US\$5,000,000 per year. If the transaction amount is TWD\$500,000 or more in a single transaction, you must submit a foreign exchange transaction form and also provide supporting documentation to the satisfaction of the remitting bank.

If the transaction amount is US\$500,000 or more, you may be required to provide additional supporting documentation to the satisfaction of the remitting bank. Please consult your personal advisor to ensure compliance with applicable exchange control laws in Taiwan.

THAILAND

Notifications

Exchange Control Information. Notwithstanding anything to the contrary in the Agreement or the Plan, due to regulatory requirements in Thailand, you will be required to exercise your option using the cashless sell-all exercise method whereby all shares of Common Stock subject to the exercised option will be sold immediately upon exercise and the proceeds of the sale, less the exercise price, any Withholding Taxes and broker's fees or commissions, will be remitted to you in accordance with any applicable exchange control laws and regulations. You will not be permitted to acquire and hold shares of Common Stock upon exercise. In addition, you must repatriate all cash proceeds to Thailand and then convert such proceeds to Thai Baht within 360 days of repatriation. If the amount of your proceeds is US\$20,000 or more, you must specifically report the inward remittance to the Bank of Thailand on a foreign exchange transaction form. If you fail to comply with these obligations, you may be subject to penalties assessed by the Bank of Thailand. You should consult your personal advisor before taking action with respect to remittance of proceeds from the sale of shares into Thailand. You are responsible for ensuring compliance with all exchange control laws in Thailand.

TURKEY

Notifications

Exchange Control Information. Exchange control regulations require Turkish residents to purchase securities through financial intermediary institutions that are approved under the Capital Market Law (*i.e.*, banks licensed in Turkey). Therefore, if you exercise your option using a cash exercise method, the funds must be remitted through a bank or other financial institution licensed in Turkey. A wire transfer of funds by a Turkish bank will satisfy this requirement. This requirement does not apply to a cashless exercise, as no funds are remitted out of Turkey.

UNITED ARAB EMIRATES

There are no country specific provisions.

UNITED KINGDOM

Terms and Conditions

Joint Election. As a condition of participation in the Plan, you agree to accept any liability for secondary Class 1 NICs which may be payable by the Corporation and/or the Parent or Subsidiary employing or retaining you in connection with the options and any event giving rise to Withholding Taxes (the "Employer's NICs"). Without limitation to the foregoing, you agree to enter into a joint election with the Corporation (the "Joint Election"), the form of such Joint Election being formally approved by HMRC, and to execute any other consents or elections required to accomplish the transfer of the Employer's NICs to you. You further agree to execute such other joint elections as may be required between you and any successor to the Corporation and/or the Parent or Subsidiary employing or retaining you. You further agree that the Corporation and/or the Parent or Subsidiary employing or retaining you may collect Employer's NICs from you by any of the means set forth in Paragraph 18 of the Agreement.

If you do not enter into a Joint Election, if approval of the Joint Election has been withdrawn by HMRC or if such Joint Election is jointly revoked by you and the Corporation or the Parent or Subsidiary employing or retaining you, as applicable, the Corporation, in its sole discretion and without any liability to you, may choose not to allow you to exercise the option and you will forfeit your option.

Tax and National Insurance Contributions Acknowledgment. The following provisions supplement Paragraph 18 of the Agreement:

You agree that if you do not pay or the Employer or the Corporation does not withhold from you the full amount of Withholding Taxes that you owe due to exercise, or the release or assignment of the options for consideration, or the receipt of any other benefit in connection with the options (the "Taxable Event") within 90 days after the Taxable Event, or such other period specified in Section 222(1)(c) of the U.K. Income Tax (Earnings and Pensions) Act 2003, then the amount that should have been withheld shall constitute a loan owed by you to the Employer, effective 90 days after the Taxable Event. You agree that the loan will bear interest at the HMRC's official rate and will be immediately due and repayable by you, and the Corporation and/or the Employer may recover it at any time thereafter by withholding the funds from salary, bonus or any other funds due to you by the Employer, by withholding in shares issued upon exercise of the options or from the cash proceeds from the sale of shares or by demanding cash or a cheque from you. You also authorize the Corporation to delay the issuance of any shares to you unless and until the loan is repaid in full.

Notwithstanding the foregoing, if you are an officer or executive director (as within the meaning of Section 13(k) of the U.S. Securities and Exchange Act of 1934, as amended), the terms of the immediately foregoing provision will not apply. In the event that you are an officer or executive director and Withholding Taxes are not collected from or paid by you within 90 days of the Taxable Event, the amount of any uncollected Withholding Taxes may constitute a benefit to you on which additional income tax and national insurance contributions may be payable. You acknowledge that the Corporation or the Employer may recover any such additional income tax and national insurance contributions at any time thereafter by any of the means referred to in Paragraph 18 of the Agreement.

UNITED STATES

There are no country specific provisions.

NETAPP, INC.
RESTRICTED STOCK UNIT AGREEMENT

NetApp, Inc. (the “Company”) hereby grants you, (the “Participant”), an award of restricted stock units (“Restricted Stock Units”) under the NetApp, Inc. 1999 Stock Option Plan (the “Plan”). Subject to the provisions of Appendix A and Appendix B (both attached) and of the Plan, the principal features of this award are as follows:

Participant:

«FIRST_NAME» «MIDDLE_NAME» «LAST_NAME»

«ADDRESS_LINE_1»

«ADDRESS_LINE_2»

«CITY», «STATE» «ZIP_CODE»

«COUNTRY»

Grant Date: «GRANT_DATE»

Grant Number: «NUM»

Number of Restricted Stock Units: «SHARES»

Vesting Commencement Date: «VEST_BASE_DATE»

Vesting of Restricted Stock Units: The Restricted Stock Units will vest according to the following schedule:

Twenty-five percent (25%) of the Restricted Stock Units will vest on the first annual anniversary of the Vesting Commencement Date, and on the next three annual anniversary dates thereafter, subject to Participant’s continuous Service through each such date.

Unless otherwise defined herein or in Appendix A or Appendix B, capitalized terms herein or in Appendix A or Appendix B will have the defined meanings ascribed to them in the Plan.

Participant acknowledges and agrees that by clicking the “ACCEPT” button on the Company’s on-line grant agreement (“OLGA”) response page, it will act as Participant’s electronic signature to the Restricted Stock Unit Agreement which includes Appendix A and Appendix B hereto (the “Agreement”) and will result in a contract between Participant and the Company with respect to this award of Restricted Stock Units. Participant agrees and acknowledges that Participant’s electronic signature indicates Participant’s agreement and understanding that this award of Restricted Stock Units is subject to all of the terms and conditions contained in Appendix A and Appendix B and the Plan. For example, important additional information on vesting and forfeiture of the Restricted Stock Units is contained in Paragraphs 3 through 5 of Appendix A. PLEASE BE SURE TO READ ALL OF APPENDIX A AND APPENDIX B (FOR THE PARTICULAR COUNTRY THAT APPLIES TO PARTICIPANT), WHICH CONTAINS THE SPECIFIC TERMS AND CONDITIONS OF THIS AGREEMENT.

Participant should retain a copy of Participant’s electronically signed Agreement; Participant may obtain a paper copy at any time and at the Company’s expense by requesting one from Stock Administration at stockadmin@netapp.com. If Participant would prefer not to electronically sign this Agreement, Participant may accept this Agreement by signing a paper copy of the Agreement and delivering it to Stock Administration at 495 E. Java Drive, Sunnyvale, CA 94089. A copy of the Plan is available upon request made to Stock Administration.

APPENDIX A

TERMS AND CONDITIONS OF RESTRICTED STOCK UNITS

Grant # «NUM»

1. Grant. The Company hereby grants to the Participant under the Plan an award of Restricted Stock Units, subject to all of the terms and conditions in this Agreement and the Plan.
2. Company's Obligation to Pay. Each Restricted Stock Unit represents the right to receive a share of Common Stock (or a cash amount equal to the value of a share on the date it becomes vested if the Company elects to settle the Restricted Stock Unit in cash) on the date it becomes vested. Unless and until the Restricted Stock Units will have vested in the manner set forth in Sections 3 and 4, the Participant will have no right to payment of any such Restricted Stock Units. Prior to actual payment of any vested Restricted Stock Units, such Restricted Stock Units will represent an unsecured obligation of the Company, payable (if at all) only from the general assets of the Company.
3. Vesting Schedule. Subject to Section 4, the Restricted Stock Units awarded by this Agreement will vest in the Participant according to the vesting schedule set forth on the attached Restricted Stock Unit Agreement, subject to the Participant's continuous Service through each such date. For the purposes of this Agreement, Service shall not include any notice of termination period (e.g., garden leave, etc.) during which the Participant is not providing active Service to the Company or one of its affiliates.
4. Forfeiture upon Termination of Continuous Service. Notwithstanding any contrary provision of this Agreement, if the Participant's continuous Service terminates for any or no reason, the then-unvested Restricted Stock Units awarded by this Agreement will thereupon be forfeited at no cost to the Company and the Participant will have no further rights thereunder.
5. Payment after Vesting. Any Restricted Stock Units that vest in accordance with Section 3 will be paid to the Participant (or in the event of the Participant's death, to his or her estate) in whole shares of Common Stock, provided that to the extent determined appropriate by the Company, any federal, state, foreign and local withholding taxes (including but not limited to income tax, payment on account and social insurance contributions) with respect to such Restricted Stock Units will be paid by reducing the number of shares actually paid to the Participant (see Section 7). Subject to the provisions of Sections 2 and 5(b), vested Restricted Stock Units will be paid in whole shares of Common Stock as soon as practicable after vesting, but in each such case no later than the date that is two-and-one-half (2 1/2) months from the later of (i) the end of the Company's tax year that includes the vesting date, or (ii) the end of Participant's tax year that includes the vesting date.
 - a. Notwithstanding anything in the Plan or this Agreement to the contrary, if the vesting of the balance, or some lesser portion of the balance, of the Restricted Stock Units is accelerated in connection with Participant's termination of continuous Service (provided that such termination is a "separation from service" within the meaning of Section 409A to the extent Section 409A is applicable, as determined by the Company), other than due to death, and if (x) Participant is a "specified employee" within the meaning of Section 409A at the time of such termination of continuous Service and (y) the payment of such accelerated Restricted Stock Units will result in the imposition of additional tax under Section 409A if paid to Participant on or within the six (6) month period following Participant's termination of

continuous Service, then the payment of such accelerated Restricted Stock Units will not be made until the date six (6) months and one (1) day following the date of Participant's termination of continuous Service, unless Participant dies following his or her termination, in which case, the Restricted Stock Units will be paid in shares of Common Stock in accordance with Section 6 as soon as practicable following his or her death. It is the intent of this Agreement to comply with the requirements of Section 409A so that none of the Restricted Stock Units provided under this Agreement or shares of Common Stock issuable thereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to so comply. For purposes of this Agreement, "Section 409A" means Section 409A of the Internal Revenue Code of 1986, as amended, and any proposed, temporary or final Treasury Regulations and Internal Revenue Service guidance thereunder, as each may be amended from time to time.

6. Payments after Death. Any distribution or delivery to be made to the Participant under this Agreement will, if the Participant is then deceased, be made to the Participant's designated beneficiary or in accordance with applicable local laws, or if no beneficiary survives the Participant, administrator or executor of the Participant's estate or other party entitled to the rights under applicable local laws. Any such transferee must furnish the Company with (a) written notice of his or her status as transferee, and (b) evidence satisfactory to the Company to establish the validity of the transfer and compliance with any laws or regulations pertaining to said transfer.
7. Withholding of Taxes. Notwithstanding any contrary provision of this Agreement, no Shares of Common Stock will be issued to the Participant, unless and until satisfactory arrangements (as determined by the Plan Administrator) will have been made by the Participant with respect to the payment of income (including federal, state, foreign and local taxes), employment, social insurance, payroll tax, payment on account and other taxes which the Company determines must be withheld with respect to such shares so issuable (the "Withholding Taxes"). Participant acknowledges that the ultimate liability for all Withholding Taxes legally due by the Participant is and remains the Participant's responsibility and that the Company and/or the Participant's actual employer (the "Employer") (i) make no representations or undertakings regarding the treatment of any Withholding Taxes in connection with any aspect of the Restricted Stock Units, including the grant of the Restricted Stock Units, the vesting of Restricted Stock Units, the settlement of the Restricted Stock Units in shares of Common Stock or the receipt of an equivalent cash payment, the subsequent sale of any shares of Common Stock acquired at vesting and the receipt of any dividends; and (ii) do not commit to structure the terms of the grant or any aspect of the Restricted Stock Units to reduce or eliminate the Participant's liability for Withholding Taxes.

To satisfy the Withholding Taxes, the Company may withhold otherwise deliverable shares of Common Stock upon vesting of Restricted Stock Units, according to the vesting schedule, having a Fair Market Value equal to the minimum amount required to be withheld for the payment of the Withholding Taxes pursuant to such procedures as the Plan Administrator may specify from time to time. The Company will not retain fractional shares of Common Stock to satisfy any portion of the Withholding Taxes. If the Plan Administrator determines that the withholding of whole shares of Common Stock results in an over-withholding to meet the minimum tax withholding requirements, a reimbursement will be made to the Participant as soon as administratively possible.

If the Company does not withhold in shares of Common Stock as described above, prior to the issuance of shares of Common Stock upon vesting of Restricted Stock Units or the receipt of an equivalent cash payment, the Participant shall pay, or make adequate arrangements satisfactory to the Company or to the Employer (in their sole discretion) to satisfy all withholding and payment on account obligations of the Company and/or the Employer. In this regard, the Participant authorizes the Company or the Employer

to withhold all applicable Withholding Taxes legally payable by the Participant from the Participant's wages or other cash compensation payable to the Participant by the Company or the Employer or from any equivalent cash payment received upon vesting of the Restricted Stock Units. Alternatively, or in addition, if permissible under local law, the Company may allow Participant to satisfy the Withholding Taxes payable by the Participant, by providing irrevocable instructions to a Company-designated broker to sell a sufficient number of shares of Common Stock otherwise deliverable to the Participant having a Fair Market Value equal to the Withholding Taxes, provided that such sale does not violate Company policy or Applicable Laws.

If the Participant fails to make satisfactory arrangements for the payment of the Withholding Taxes hereunder at the time any applicable Restricted Stock Units otherwise are scheduled to vest pursuant to Section 3, the Participant will permanently forfeit such Restricted Stock Units and any shares of Common Stock otherwise deliverable with respect thereto, and the Restricted Stock Units will not be issued to Participant.

8. Rights as Stockholder. Neither the Participant nor any person claiming under or through the Participant will have any of the rights or privileges of a stockholder of the Company in respect of any shares of Common Stock deliverable hereunder (if any) unless and until certificates representing such shares are issued, recorded on the records of the Company or its transfer agents or registrars, and delivered to the Participant.
9. No Effect on Service. The Participant's service with the Company and its Subsidiaries is on an at-will basis only unless contrary to the terms of an employment agreement or applicable local law. Accordingly, the terms of the Participant's service with the Company and its Subsidiaries will be determined from time to time by the Company or the Subsidiary employing or retaining the Participant (as the case may be), and the Company or the Subsidiary, as applicable, will have the right, which is hereby expressly reserved, to terminate or change the terms of the employment or service of the Participant at any time for any reason whatsoever, with or without good cause subject to the terms of the Participant's employment agreement or applicable local law.
10. Address for Notices. Any notice to be given to the Company under the terms of this Agreement will be addressed to the Company at 495 East Java Drive, Sunnyvale, CA 94089, Attn: Stock Administration, or at such other address as the Company may hereafter designate in writing.
11. Grant is Not Transferable. Except to the limited extent provided in Section 6, this grant and the rights and privileges conferred hereby will not be transferred, assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and will not be subject to sale under execution, attachment or similar process. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of this grant, or any right or privilege conferred hereby, or upon any attempted sale under any execution, attachment or similar process, this grant and the rights and privileges conferred hereby immediately will become null and void.
12. Leave of Absence. The vesting of Restricted Stock Units will not be suspended and will continue in accordance with the vesting schedule under this Agreement during Participant's authorized leave of absence from the Corporation, or the Parent or Subsidiary employing Participant, subject to the remaining terms of this Agreement and the Plan.
13. Binding Agreement. Subject to the limitation on the transferability of this grant contained herein, this Agreement will be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

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14. Additional Conditions to Issuance of Stock. If at any time the Company determines, in its discretion, that the listing, registration or qualification of the shares of Common Stock upon any securities exchange or under any state, foreign or federal law, or the consent or approval of any governmental regulatory authority is necessary or desirable as a condition to the issuance of shares to the Participant (or his or her estate), such issuance will not occur unless and until such listing, registration, qualification, consent or approval will have been effected or obtained free of any conditions not acceptable to the Company. Where the Company determines that the delivery of the payment of any shares will violate federal or foreign securities laws or other applicable laws, the Company will defer delivery until the earliest date at which the Company reasonably anticipates that the delivery of shares will no longer cause such violation (to the extent such deferral is not in violation of such laws). The Company will make all reasonable efforts to meet the requirements of any such state, foreign or federal law or securities exchange and to obtain any such consent or approval of any such governmental authority.
 15. Plan Governs. This Agreement is subject to all terms and provisions of the Plan. In the event of a conflict between one or more provisions of this Agreement and one or more provisions of the Plan, the provisions of the Plan will govern.
 16. Administrator Authority. The Plan Administrator will have the power to interpret the Plan and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules (including, but not limited to, the determination of whether or not any Restricted Stock Units have vested). All actions taken and all interpretations and determinations made by the Plan Administrator in good faith will be final and binding upon Participant, the Company and all other interested persons. No member of the Plan Administrator will be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or this Agreement.
 17. Captions. Captions provided herein are for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.
 18. Agreement Severable. In the event that any provision in this Agreement will be held invalid or unenforceable, such provision will be severable from, and such invalidity or unenforceability will not be construed to have any effect on, the remaining provisions of this Agreement.
 19. Labor Law. By accepting this award of Restricted Stock Units, the Participant acknowledges that: (a) the grant of this award of Restricted Stock Units is a one-time benefit which does not create any contractual or other right to receive future grants of Restricted Stock Units, or benefits in lieu of Restricted Stock Units; (b) all determinations with respect to any future grants, including, but not limited to, the times when the Restricted Stock Units shall be granted, the number of shares of Common Stock issuable pursuant to each award of Restricted Stock Units, the time or times when Restricted Stock Units shall vest, will be at the sole discretion of the Company; (c) the Participant's participation in the Plan is voluntary; (d) this award of Restricted Stock Units is an extraordinary item of compensation which is outside the scope of the Participant's employment contract, if any; (e) this award of Restricted Stock Units is not part of the Participant's normal or expected compensation for purposes of calculating any severance, resignation, redundancy, end-of-service payments, bonuses, long-service awards, pension or retirement benefits or similar payments; (f) the vesting of this award of Restricted Stock Units ceases upon termination of Service for any reason except as may otherwise be explicitly provided in the Plan or this Agreement; (g) the future value of the underlying shares of Common Stock is unknown and cannot be predicted with certainty; (h) this award of Restricted Stock Units has been granted to the Participant in the Participant's status as an Employee, a non-employee member of the Board or a consultant or independent advisor of

the Company or its Parent or Subsidiary; (i) any claims resulting from this award of Restricted Stock Units shall be enforceable, if at all, against the Company; (j) in consideration of the grant of this award, no claim or entitlement to compensation or damages shall arise from termination of the award or diminution in value of the award or any of the shares issuable under the award from termination of Participant's Service by the Company or Employer, as applicable (and for any reason whatsoever and whether or not in breach of contract or local labor laws), and Participant irrevocably releases his or her Employer, the Company and its Subsidiaries, as applicable, from any such claim that may arise; if, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen, then, by signing this Agreement, Participant shall be deemed to have irrevocably waived his or her entitlement to pursue such claim; and (k) in the event that Employer is not the Company, the grant of the award will not be interpreted to form an employment contract or relationship with the Company and, furthermore, the grant of the Restricted Stock Units will not be interpreted to form an employment contract with the Employer or any Subsidiary.

20. ***Disclosure of Participant Information.***

- a. ***Participant hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of Participant's personal data as described in this Agreement by and among, as applicable, Participant's employer, the Company and its Subsidiaries for the exclusive purpose of implementing, administering and managing Participant's participation in the Plan.***
- b. ***For Participants outside the U.S., Participant understands that Participant's employer, the Company and its Subsidiaries, as applicable, hold certain personal information about Participant regarding Participant's employment, the nature and amount of Participant's compensation and the fact and conditions of Participant's participation in the Plan, including, but not limited to, Participant's name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, health, job title, any shares of stock or directorships held in the Company and its Subsidiaries, details of all options, awards or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding in Participant's favor, for the purpose of implementing, administering and managing the Plan (the "Data"). Participant understands that the Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in Participant's country, or elsewhere, and that the recipient's country may have different data privacy laws and protections than Participant's country. Participant understands that Participant may request a list with the names and addresses of any potential recipients of the Data by contacting Participant's local human resources representative. Participant authorizes the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing Participant's participation in the Plan, including any requisite transfer of such Data as may be required to a broker or other third party. Participant understands that the Data will be held only as long as is necessary to implement, administer and manage Participant's participation in the Plan. Participant understands that Participant may, at any time, view the Data,***

request additional information about the storage and processing of the Data, require any necessary amendments to the Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing Participant's local human resources representative. Participant understands, however, that refusing or withdrawing Participant's consent may affect Participant's ability to participate in the Plan. For more information on the consequences of Participant's refusal to consent or withdrawal of consent, Participant understands that Participant may contact his or her local human resources representative.

21. Governing Law. The interpretation, performance and enforcement of this Agreement shall be governed by the laws of the State of California without resort to that State's conflict-of-laws rules.
22. Imposition of Other Requirements. The Company reserves the right to impose other requirements on Participant's participation in the Plan, on the award and on any shares of Common Stock acquired under the Plan, to the extent the Company determines it is necessary or advisable in order to comply with any applicable law or facilitate the administration of the Plan. Participant agrees to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing. Furthermore, Participant acknowledges that the laws of the country in which Participant is working at the time of grant, vesting or the sale of shares of Common Stock received pursuant to this award (including any rules or regulations governing securities, foreign exchange, tax, labor, or other matters) may subject Participant to additional procedural or regulatory requirements that Participant is and will be solely responsible for and must fulfill.
23. Translations. If Participant has received this Agreement or any other document or communication related to the Plan or this grant in a language other than English and the meaning in the translation is different than in the English version, the terms expressed in the English version will govern.
24. Appendix B. Notwithstanding any provisions in this Agreement, the award shall be subject to any special terms and conditions set forth in any appendix to this Agreement (the "Appendix B") for Participant's country. Moreover, if Participant relocates to one of the countries included in Appendix B, the special terms and conditions for such country will apply to Participant, to the extent the Company determines that the application of such terms and conditions is necessary or advisable in order to comply with local law or facilitate the administration of the Plan. The Appendix B constitutes part of this Agreement.

APPENDIX B
ADDITIONAL TERMS AND CONDITIONS OF THE
NETAPP, INC.
RESTRICTED STOCK UNIT AGREEMENT

Terms and Conditions

This Appendix B includes additional terms and conditions that govern the Restricted Stock Units granted to you under the Plan if you reside in one of the countries listed below. Certain capitalized terms used but not defined in this Appendix have the meanings set forth in the Plan and/or the Agreement.

Notifications

This Appendix also includes information regarding exchange controls and certain other issues of which you should be aware with respect to your participation in the Plan. The information is based on the securities, exchange control and other laws in effect in the respective countries as of August 2013. Such laws are often complex and change frequently. As a result, the Company strongly recommends that you not rely on the information in this Appendix B as the only source of information relating to the consequences of your participation in the Plan because the information may be out of date at the time that the Restricted Stock Units vest or you sell shares acquired under the Plan.

In addition, the information contained herein is general in nature and may not apply to your particular situation and the Company is not in a position to assure you of a particular result. Accordingly, you are advised to seek appropriate professional advice as to how the relevant laws in your country may apply to your situation.

Finally, if you are a citizen or resident of a country other than the one in which you are currently working, the information contained herein may not be applicable to you.

ARGENTINA

Notifications

Securities Law Information. Neither the Restricted Stock Units nor the issuance of the shares are publicly offered or listed on any stock exchange in Argentina. The offer is private and not subject to the supervision of any Argentine governmental authority.

Exchange Control Information. In the event that you transfer proceeds in excess of US\$2,000,000 from the sale of shares into Argentina in a single month, you will be subject to certain exchange control laws. Please note that exchange control regulations in Argentina are subject to frequent change. You should consult with your personal legal advisor regarding any exchange control obligations that you may have.

AUSTRALIA

Terms and Conditions

Australian Addendum. You understand and agree that the Restricted Stock Units are offered subject to and in accordance with the terms of the Plan and the Australian Addendum to the Plan. You further agree to be bound by the terms of the Plan as supplemented for implementation in Australia by the Australian Addendum and the terms of the Restricted Stock Unit as set forth in the Agreement.

AUSTRIA

Notifications

Exchange Control Information. If you hold shares obtained through the Plan outside of Austria, you must submit a report to the Austrian National Bank. An exemption applies if the value of the shares as of any given quarter does not exceed €30,000,000 or as of December 31 does not exceed €5,000,000. If the former threshold is exceeded, quarterly obligations are imposed, whereas if the latter threshold is exceeded, annual reports must be given. The annual reporting date is as of December 31 and the deadline for filing the annual report is March 31 of the following year.

When shares are sold, there may be exchange control obligations if the cash received is held outside Austria. If the transaction volume of all your accounts abroad exceeds €3,000,000, the movements and balances of all accounts must be reported monthly, as of the last day of the month, on or before the fifteenth day of the following month.

Consumer Protection Information. If the provisions of the Austrian Consumer Protection Act are applicable to the Agreement and the Plan, you may be entitled to revoke your acceptance of the Agreement under the conditions listed below:

- i. if you accept the Restricted Stock Units outside the business premises of the Company, you may be entitled to revoke your acceptance of the Agreement, provided the revocation is made within one week after you accept the Agreement.
- ii. The revocation must be in written form to be valid. It is sufficient if you return the Agreement to the Company or the Company's representative with language which can be understood as your refusal to conclude or honor the Agreement, provided the revocation is sent within the period set forth above.

BELGIUM

There are no country specific provisions.

BRAZIL

Notifications

Exchange Control Information. If you are a resident or domiciled in Brazil, you will be required to submit an annual declaration of assets and rights held outside of Brazil (including shares of Company Common Stock) to the Central Bank of Brazil if the aggregate value of such assets and rights is equal to or greater than US\$100,000.

BULGARIA

There are no country specific provisions.

CANADA

Terms and Conditions

Form of Settlement. Restricted Stock Units granted to employees resident in Canada shall be paid in shares only. In no event shall any of such Restricted Stock Units be paid in cash, notwithstanding any discretion contained in the Plan to the contrary.

Termination of Service. This provision replaces Section 4 of the Agreement:

In the event of the termination of your Service for any reason (whether or not in breach of local labor laws), all unvested Restricted Stock Units shall be immediately forfeited without consideration. For purposes of the preceding sentence, your right to vest in the Restricted Stock Units will terminate effective as of the date that is the earlier of (1) the date you receive notice of termination of Service from the Company or the Employer, or (2) the date your Service terminates, regardless of any notice period or period of pay in lieu of such notice required under local law (including, but not limited to statutory law, regulatory law and/or common law); the Company shall have the exclusive discretion to determine when you are no longer providing Service for purposes of the Restricted Stock Units.

Authorization of Release and Transfer Necessary Personal Information. This provision supplements Section 20 of the Agreement:

You hereby authorize the Company and the Company's representatives to discuss with and obtain all relevant information from all personnel, professional or not, involved in the administration and operation of the Plan. You further authorize the Company, any

Parent or Subsidiary and the administrator of the Plan to disclose and discuss the Plan with their advisors. You further authorize the Company and any Parent or Subsidiary to record such information and to keep such information in your employee file.

French Language Provision. The following provisions will apply if you are a resident of Quebec:

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

Les parties reconnaissent avoir exigé la rédaction en anglais de cette convention ("Agreement"), ainsi que de tous documents exécutés, avis donnés et procédures judiciaires intentées, directement ou indirectement, relativement à la présente convention.

CHILE

Notifications

Securities Law Information. Neither the Company nor the shares that may be issued under this award are registered with the Chilean Registry of Securities or under the control of the Chilean Superintendence of Securities.

Exchange Control Information. It is your responsibility to make sure that you comply with exchange control requirements in Chile when the value of your share transaction is in excess of US\$10,000.

If the Restricted Stock Units are paid in shares and the aggregate value of the shares exceeds US\$10,000, you must sign Annex 1 of the Manual of Chapter XII of the Foreign Exchange Regulations and file it directly with the Central Bank within 10 days of the settlement of the Restricted Stock Units.

You are not required to repatriate funds obtained from the sale of shares acquired pursuant to your grant of Restricted Stock Units. However, if you decide to repatriate such funds, you must do so through the Formal Exchange Market if the amount of the funds exceeds US\$10,000. In such case, you must report the payment to a commercial bank or registered foreign exchange office receiving the funds.

If your aggregate investments held outside of Chile exceeds US\$5,000,000 (including shares acquired under the Plan), you must report the investments annually to the Central Bank. Annex 3.1 of Chapter XII of the Foreign Exchange Regulations must be used to file this report.

Please note that exchange control regulations in Chile are subject to change. You should consult with your personal legal advisor regarding any exchange control obligations that you may have prior to the vesting of the Restricted Stock Units.

Annual Tax Reporting Obligation. The Chilean Internal Revenue (the “CIRS”) requires all taxpayers to provide information annually regarding: (i) the taxes paid abroad which they will use as a credit against Chilean income taxes, and (ii) the gains/losses from foreign investments. These annual reporting obligations must be complied with by submitting a sworn statement setting forth this information before March 15 of each year. The forms to be used to submit the sworn statement are Tax Form 1853 “Annual Sworn Statement Regarding Credits for Taxes Paid Abroad” and Tax Form 1851 “Annual Sworn Statement Regarding Investments Held Abroad.” If you are not a Chilean citizen and have been a resident in Chile for less than three years, you are exempt from the requirement to file Tax Form 1853. These statements must be submitted electronically through the CIRS website at <http://www.sii.cl>.

CHINA

Terms and Conditions

Due to local regulatory requirements, upon the vesting of the Restricted Stock Units, you agree to the immediate sale of any shares to be issued to you upon vesting and settlement of the award. You further agree that the Company is authorized to instruct its designated broker to assist with the mandatory sale of such shares (on your behalf pursuant to this authorization) and you expressly authorize the Company’s designated broker to complete the sale of such shares. You acknowledge that the Company’s designated broker is under no obligation to arrange for the sale of the shares at any particular price. Upon the sale of the shares, the Company agrees to pay you the cash proceeds from the sale of the shares, less any brokerage fees or commissions and subject to any obligation to satisfy Tax Withholdings. You acknowledge that you are not aware of any material nonpublic information with respect to the Company or any securities of the Company as of the date of this Agreement.

Exchange Control Requirements. You understand and agree that, pursuant to local exchange control requirements, you will be required to repatriate the cash proceeds from the immediate sale of the shares issued upon the vesting of the Restricted Stock Units to China. You further understand that, under local law, such repatriation of your cash proceeds may need to be effectuated through a special exchange control account established by the Company, Parent or Subsidiary or the Employer, and you hereby consent and agree that any proceeds from the sale of any shares issued upon the vesting of the Restricted Stock Units you acquire may be transferred to such special account prior to being delivered to you. If the proceeds from the sale of your shares are converted to local currency, you acknowledge that the Company is under no obligation to secure any exchange conversion rate, and the Company may face delays in converting the proceeds to local currency due to exchange control restrictions in China. You agree to bear the risk of any exchange conversion rate fluctuation between the date the Restricted Stock Units vest and the date of conversion of the proceeds from the sale of the shares issued upon vesting to local currency. You further agree to comply with any other requirements that may be imposed by the Company in the future in order to facilitate compliance with exchange control requirements in China.

CZECH REPUBLIC

Notifications

Exchange Control Information. The Czech National Bank may require you to fulfill certain notification duties in relation to the Restricted Stock Units and the opening and maintenance of a foreign account. However, because exchange control regulations change frequently and without notice, you should consult your personal legal advisor prior to the vesting of the Restricted Stock Units to ensure compliance with current regulations. It is your responsibility to comply with applicable Czech exchange control laws.

DENMARK

Notifications

Exchange Control Information. If you establish an account holding shares or an account holding cash outside Denmark, you must report the account to the Danish Tax Administration. The form which should be used in this respect can be obtained from a local bank. (Please note that these obligations are separate from and in addition to the obligations described below.)

Securities/Tax Reporting Information. If you hold shares acquired under the Plan in a brokerage account with a broker or bank outside Denmark, you are required to inform the Danish Tax Administration about the account. For this purpose, you must file a Form V (*Erklaering V*) with the Danish Tax Administration. The Form V must be signed both by you and by the applicable broker or bank where the account is held. By signing the Form V, the broker or bank undertakes to forward information to the Danish Tax Administration concerning the shares in the account without further request each year. By signing the Form V, you authorize the Danish Tax Administration to examine the account. A sample of the Form V can be found at the following website: www.skat.dk.

In addition, if you open a brokerage account (or a deposit account with a U.S. bank) for the purpose of holding cash outside Denmark, you are also required to inform the Danish Tax Administration about this account. To do so, you must also file a Form K (*Erklaering K*) with the Danish Tax Administration. The Form K must be signed both by you and by the applicable broker or bank where the account is held. By signing the Form K, the broker/bank undertakes an obligation, without further request each year, to forward information to the Danish Tax Administration concerning the content of the account. By signing the Form K, you authorize the Danish Tax Administration to examine the account. A sample of Form K can be found at the following website: www.skat.dk.

FINLAND

There are no country specific provisions.

FRANCE

Terms and Conditions

Consent to Receive Information in English. By accepting the Restricted Stock Units, you confirm having read and understood the Plan and the Agreement, which were provided in the English language. You accept the terms of those documents accordingly.

En acceptant cette attribution gratuite d'actions, vous confirmez avoir lu et comprenez le Plan et ce Contrat, incluant tous leurs termes et conditions, qui ont été transmis en langue anglaise. Vous acceptez les dispositions de ces documents en connaissance de cause.

Notifications

Exchange Control Information. If you hold shares of Common Stock outside of France or maintain a foreign bank account, you are required to report such to the French tax authorities when you file your annual tax return.

GERMANY

Notifications

Exchange Control Information. Cross-border payments in excess of €12,500 must be reported monthly to the German Federal Bank. If you use a German bank to transfer a cross-border payment in excess of €12,500 in connection with the sale of shares acquired under the Plan, the bank will make the report for you. In addition, you must report any receivables, payables, or debts in foreign currency exceeding an amount of €5,000,000 on a monthly basis.

GREECE

There are no country specific provisions.

HONG KONG

Terms and Conditions

Securities Notification. Warning: The Restricted Stock Units and shares issued at vesting do not constitute a public offering of securities under Hong Kong law and are available only to employees of the Company, its Parent or Subsidiary. The Agreement, including this Appendix B, the Plan and other incidental communication materials have not been prepared in accordance with and are not intended to constitute a "prospectus" for a public offering of securities under the applicable securities legislation in Hong Kong nor have the documents been reviewed by any regulatory authority in Hong Kong. The Restricted Stock Units are intended only for the personal use of each eligible employee of the Employer, the Company or any Parent or Subsidiary and may not be distributed to any other person. If you are in any doubt about any of the contents of the Agreement, including this Appendix B, or the Plan, you should obtain independent professional advice.

Settlement of Restricted Stock Units and Sale of Shares. In the event your Restricted Stock Units vest and shares are issued to you within six months of the grant date, you agree that you will not dispose of any shares acquired prior to the six-month anniversary of the grant date.

Notifications

Nature of Scheme. The Company specifically intends that the Plan will not be an occupational retirement scheme for purposes of the Occupational Retirement Schemes Ordinance.

HUNGARY

No country specific provisions.

INDIA

Notifications

Exchange Control Information. You understand that you must repatriate any proceeds from the sale of shares acquired under the Plan to India and convert the proceeds into local currency within 90 days of receipt. You will receive a foreign inward remittance certificate (“FIRC”) from the bank where you deposit the foreign currency. You should maintain the FIRC as evidence of the repatriation of funds in the event the Reserve Bank of India or the Employer requests proof of repatriation.

Tax Information. The amount subject to tax at vesting will partially be dependent upon a valuation that the Company will obtain from a Merchant Banker in India. The Company has no responsibility or obligation to obtain the most favorable valuation possible nor obtain valuations more frequently than required under Indian tax law.

INDONESIA

Notifications

Exchange Control Information. If you remit proceeds from the sale of shares into Indonesia, the Indonesian Bank through which the transaction is made will submit a report on the transaction to the Bank of Indonesia for statistical reporting purposes. For transactions of US\$10,000 or more, a description of the transaction must be included in the report. Although the bank through which the transaction is made is required to make the report, you must complete a “Transfer Report Form.” The Transfer Report Form will be provided to you by the bank through which the transaction is made.

IRELAND

Notifications

Director Notification Obligation. If you are a director, shadow director or secretary of the Company’s Irish Subsidiary or affiliate, you must notify the Irish Subsidiary or affiliate in writing within five business days of receiving or disposing of an interest in the Company (e.g., Restricted Stock Units, shares, etc.), or within five business days of becoming aware of the event giving rise to the notification requirement or within five days of becoming a director or secretary if such an interest exists at the time. This notification requirement also applies with respect to the interests of a spouse or children under the age of 18 (whose interests will be attributed to the director, shadow director or secretary).

ISRAEL

Terms and Conditions

Trust Arrangement. You understand and agree that the Restricted Stock Units are offered subject to and in accordance with the terms of the trust agreement. Specifically, the shares issued upon vesting of the Restricted Stock Units shall be delivered to and controlled by a trustee appointed by the Company or

its Subsidiary or affiliate in Israel (the "Trustee") for your benefit for at least such period of time as required by Section 102 or any shorter period determined under the Israeli Income Tax Ordinance [New Version] 1961 as now in effect or as hereafter amended (the "Ordinance") or by the Israeli Tax Authority (the "Lock-Up Period"). The Restricted Stock Units and shares shall be controlled by the Trustee for the benefit of you and the provisions of Section 102 of the Ordinance and the Income Tax (Tax Abatement on the Grant of Shares to Employees) Regulations 2003 shall apply to such Restricted Stock Units or shares for all purposes. You shall be able, at any time, to request the sale of the shares or the release of the shares from the Trustee, subject to the terms of the Plan, this Agreement and any applicable law. Without derogating from the aforementioned, if the shares are released by the Trustee during the Lock-Up Period, the sanctions under Section 102 of the Ordinance shall apply to and be borne by you. The Shares shall not be sold or released from the control of the Trustee unless the Company, the Employer and the Trustee are satisfied that the full amount of Withholding Taxes due have been paid or will be paid in relation thereto.

ITALY

Terms and Conditions

Data Privacy Notice. The following provision replaces Section 20 of the Agreement:

Participant understands that the Employer and/or the Company may hold certain personal information about him or her, including, but not limited to, his or her name, home address and telephone number, date of birth, social security number (or any other social or national identification number), salary, nationality, job title, number of shares held and the details of all Restricted Stock Units or any other entitlement to shares awarded, cancelled, exercised, vested, unvested or outstanding (the "Data") for the purpose of implementing, administering and managing Participant's participation in the Plan. Participant is aware that providing the Company with the Data is necessary for the performance of this Agreement and that Participant's refusal to provide such Data would make it impossible for the Company to perform its contractual obligations and may affect his or her ability to participate in the Plan.

The Controller of personal data processing is [INSERT], with registered offices at [INSERT], USA, and, pursuant to D.lgs 196/2003, its representative in Italy is [INSERT NAME OF LOCAL SUB IN ITALY] with registered offices at [INSERT]. Participant understands that the Data may be transferred to the Company or any of its Subsidiaries or affiliates, or to any third parties assisting in the implementation, administration and management of the Plan, including any transfer required to a broker or other third party with whom Shares acquired pursuant to the vesting of the Restricted Stock Units or cash from the sale of Shares acquired pursuant to the Plan may be deposited. Furthermore, the recipients that may receive, possess, use, retain and transfer such Data for the above mentioned purposes may be located in Italy or elsewhere, including outside of the European Union and that the recipients' country (e.g., the United States) may have different data privacy laws and protections than Italy. The processing activity, including the transfer of Participant's personal data abroad, outside of the European Union, as herein specified and pursuant to applicable laws and regulations, does not require Participant's consent thereto as the processing is necessary for the performance of contractual obligations related to the implementation, administration and management of the Plan. Participant understands that Data processing relating to the purposes above specified shall take place under automated or non-automated conditions, anonymously when possible, that comply with the purposes for which Data are collected and with confidentiality and security provisions as set forth by applicable laws and regulations, with specific reference to D.lgs. 196/2003.

Participant understands that Data will be held only as long as is required by law or as necessary to implement, administer and manage his or her participation in the Plan. Participant understands that pursuant to art.7 of D.lgs 196/2003, he or she has the right, including but not limited to, access, delete, update, request the rectification of his or her personal Data and cease, for legitimate reasons, the Data processing. Furthermore, Participant is aware that his or her Data will not be used for direct marketing purposes.

Plan Document Acknowledgment. In accepting the Restricted Stock Units, you acknowledge that you have received a copy of the Plan and the Agreement and have reviewed the Plan and the Agreement, including this Appendix B, in their entirety and fully understand and accept all provisions of the Plan and the Agreement, including this Appendix B.

In addition, you further acknowledge that you have read and specifically and expressly approve without limitation the following clauses in the Agreement: Section 4 (Forfeiture upon Termination of Continuous Service); Section 7 (Withholding of Taxes); Section 19 (Labor Law); and Section 20 (Disclosure of Participant Information).

Notifications

Tax/Exchange Control Information. You are required to report on your annual tax return:

(a) any transfers of cash or shares to or from Italy exceeding €10,000 or the equivalent amount in U.S. dollars; (b) any foreign investments or investments (including the shares issued at vesting of the Restricted Stock Units, cash or proceeds from the sale of shares acquired under the Plan) held outside of Italy exceeding €10,000 or the equivalent amount in U.S. dollars, if the investment may give rise to income in Italy (this will include reporting the shares issued at vesting of the Restricted Stock Units if the fair market value of such shares combined with other foreign assets exceed €10,000); and (c) the amount of the transfers to and from abroad which have had an impact during the calendar year on your foreign investments or investments held outside of Italy. You are exempt from the formalities in (a) if the investments are made through an authorized broker resident in Italy, as the broker will comply with the reporting obligation on your behalf.

JAPAN

There are no country specific provisions.

KAZAKHSTAN

Notifications

Exchange Control Information. Although Kazakh residents are no longer required to obtain a license from the National Bank of Kazakhstan before obtaining securities in foreign companies, you are nevertheless required to notify the National Bank of Kazakhstan when you acquire Shares under the Plan.

KOREA

Notifications

Exchange Control Information. If you realize US\$500,000 or more from the sale of shares, Korean exchange control laws require you to repatriate the proceeds to Korea within 18 months of the sale.

LUXEMBOURG

Notifications

Exchange Control Information. You are required to report any inward remittances of funds to the *Banque Central de Luxembourg* and/or the *Service Central de La Statistique et des Etudes Economiques* within 15 working days following the month during the transaction occurred. If a Luxembourg financial institution is involved in the transaction, it generally will fulfill the reporting obligation on your behalf.

MALAYSIA

Notifications

Malaysian Insider Trading Notification. You should be aware of the Malaysian insider-trading rules, which may impact your acquisition or disposal of shares or rights to shares under the Plan. Under the Malaysian insider-trading rules, you are prohibited from acquiring or selling shares or rights to shares (*e.g.*, an award under the Plan) when you are in possession of information which is not generally available and which you know or should know will have a material effect on the price of Shares once such information is generally available.

Director Notification Obligation. If you are a director of the Company's Malaysian Subsidiary or affiliate, you are subject to certain notification requirements under the Malaysian Companies Act. Among these requirements is an obligation to notify the Malaysian Subsidiary or affiliate in writing when you receive or dispose of an interest (*e.g.*, an award under the Plan or shares) in the Company or any related company. Such notifications must be made within 14 days of receiving or disposing of any interest in the Company or any related company.

MEXICO

Terms and Conditions

Modification. By accepting the Restricted Stock Units, you understand and agree that any modification of the Plan or the Agreement or its termination shall not constitute a change or impairment of the terms and conditions of employment.

Policy Statement. The award of Restricted Stock Units the Company is making under the Plan is unilateral and discretionary and, therefore, the Company reserves the absolute right to amend it and discontinue it at any time without any liability.

The Company, with registered offices at [INSERT] U.S.A., is solely responsible for the administration of the Plan and participation in the Plan and the acquisition of shares does not, in any way, establish an employment relationship between you and the Company since you are participating in the Plan on a wholly commercial basis and the sole employer is as applicable, nor does it establish any rights between you and the Employer.

Plan Document Acknowledgment. By accepting the award of Restricted Stock Units, you acknowledge that you have received copies of the Plan, have reviewed the Plan and the Agreement in their entirety and fully understand and accept all provisions of the Plan and the Agreement.

In addition, by signing the Agreement, you further acknowledge that you have read and specifically and expressly approve the terms and conditions in the Agreement, in which the following is clearly described and established: (i) participation in the Plan does not constitute an acquired right; (ii) the Plan and participation in the Plan is offered by the Company on a wholly discretionary basis; (iii) participation in the Plan is voluntary; and (iv) the Company and any Parent, Subsidiary or affiliates are not responsible for any decrease in the value of the shares underlying the Restricted Stock Units.

Finally, you hereby declare that you do not reserve any action or right to bring any claim against the Company for any compensation or damages as a result of your participation in the Plan and therefore grant a full and broad release to the Employer, the Company and any Parent, Subsidiary or affiliates with respect to any claim that may arise under the Plan.

Spanish Translation

Modification. Al aceptar las Unidades de Accion Restringida, usted reconoce y acuerda que cualquier modification del Plan o su terminacion no constituye un cambio o desmejora de los terminos y condiciones de empleo.

Declaracion de Politica. El Otorgamiento de Unidades de Accion Restringida de la Compañia en virtud del Plan es unilateral y discrecional y, por lo tanto, la Compañia se reserva el derecho absoluto de modificar y discontinuar el mismo en cualquier tiempo, sin responsabilidad alguna.

La Compañia, con oficinas registradas ubicadas en, es la unica responsable de la administración del Plan y de la participación en el mismo y la adquisición de Acciones no establece de forma alguna una relación de trabajo entre usted y la Compañia, ya que su participación en el Plan es completamente comercial y el unico empleador es en caso de ser aplicable, así como tampoco establece ningun derecho entre la persona que tenga el derecho a optar y el Empleador.

Reconocimiento del Documento del Plan. Al aceptar el Otorgamiento de las Unidades de Acción Restringida, usted reconoce que ha recibido copias del Plan, ha revisado el mismo, al igual que la totalidad del Acuerdo y, que ha entendido y aceptado completamente todas las disposiciones contenidas en el Plan y en el Acuerdo.

Adicionalmente, al firmar el Acuerdo, reconoce que ha leído, y que aprueba especifica y expresamente los términos y condiciones contenidos en la Renuncia de Derecho o Reclamo por Compensación del Acuerdo, en el cual se encuentra claramente descrito y establecido lo siguiente: (i) la participación en el Plan no constituye un derecho adquirido; (ii) el plan y la participación en el mismo es ofrecida por la Compañia de forma enteramente discrecional; (iii) la participación en el Plan es voluntaria; y (iv) la Compañia, así como su Sociedad controlante, Subsidiaria o Filiales no son responsables por cualquier disminución en el valor de las Acciones en relación a las Unidades de Acción Restringida.

Finalmente, declara que no se reserva ninguna *acción* o derecho para interponer una demanda en contra de la Compañia por compensación, dano o perjuicio alguno como resultado de su participación en el Plan y, en consecuencia, otorga el más amplio finiquito al Empleador, así como a la Compañia, a su Sociedad controlante, Subsidiaria o Filiales con respecto a cualquier demanda que pudiera originarse en virtud del Plan.

NETHERLANDS

Notifications

Insider-Trading Notification. You should be aware of the Dutch insider-trading rules, which may impact the sale of shares issued to you at vesting and settlement of the award. In particular, you may be prohibited from effectuating certain transactions involving shares if you have inside information about the Company. If you are uncertain whether the insider-trading rules apply to you, you should consult your personal legal advisor.

NEW ZEALAND

There are no country specific provisions.

NIGERIA

There are no country specific provisions.

NORWAY

There are no country specific provisions.

PHILIPPINES

Notifications

Securities Law Notice. You acknowledge that you are permitted to sell shares acquired under the Plan through the designated Plan broker appointed by the Company (or such other broker to whom you may transfer the Shares), provided that such sale takes place outside of the Philippines through the facilities of the NASDAQ Global Select Market on which the shares are listed.

POLAND

Notifications

Exchange Control Information. If you hold foreign securities (including shares) and maintain accounts abroad, you may be required to file certain reports with the National Bank of Poland. Specifically, if the value of securities and cash held in such foreign accounts exceeds €15,000, you must file reports on the transactions and balances of the accounts on a quarterly basis by the 20th day of the month following the end of each quarter and an annual report by no later than January 30 of the following calendar year. Such reports are filed on special forms available on the website of the National Bank of Poland.

PORTUGAL

Notifications

Exchange Control Information. If you receive shares upon vesting, the acquisition of the shares should be reported to the Banco de Portugal for statistical purposes. If the shares are deposited with a commercial bank or financial intermediary in Portugal, such bank or financial intermediary will submit the report on your behalf. If the shares are not deposited with a commercial bank or financial intermediary in Portugal, you are responsible for submitting the report to the Banco de Portugal.

ROMANIA

Notifications

Exchange Control Information. If you deposit the proceeds from the sale of shares issued to you at vesting in a bank account in Romania, you may be required to provide the Romanian bank with appropriate documentation explaining the source of the funds. You should consult your personal advisor to determine whether you will be required to submit such documentation to the Romanian bank.

RUSSIA

Terms and Conditions

U.S. Transaction. You understand that the Restricted Stock Units shall be valid and this Agreement shall be concluded and become effective only when the Agreement is electronically received by the Company in the United States. Upon vesting of the Restricted Stock Units, any shares to be issued to you shall be delivered to you through a bank or brokerage account in the United States. You are not permitted to sell the shares directly to other Russian legal entities or individuals.

Notifications

Exchange Control Information. Under current exchange control regulations, within a reasonably short time after sale of the shares acquired under the Plans, you must repatriate the sale proceeds to Russia. Such sale proceeds must be initially credited to you through a foreign currency account at an authorized bank in Russia. After the sale proceeds are initially received in Russia, they may be further remitted to foreign banks in accordance with Russian exchange control laws.

You are encouraged to contact your personal advisor before remitting your sale proceeds to Russia as exchange control requirements may change.

Securities Law Notification. This Appendix B, the Agreement, the Plan and all other materials that you may receive regarding participation in the Plan do not constitute advertising or an offering of securities in Russia. Absent any requirement under local law, the issuance of securities pursuant to the Plan has not and will not be registered in Russia; hence, the securities described in any Plan-related documents may not be used for offering or public circulation in Russia.

SAUDI ARABIA

Notifications

Securities Law Information. The Agreement may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Offers of Securities Regulations issued by the Capital Market Authority.

The Capital Market Authority does not make any representation as to the accuracy or completeness of the Agreement, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of the Agreement. You are hereby advised to conduct your own due diligence on the accuracy of the information relating to the Shares. If you do not understand the contents of the Agreement, you should consult an authorized financial advisor.

SINGAPORE

Notifications

Securities Law Information. The award of Restricted Stock Units is being made in reliance on section 273(1)(f) of the Securities and Futures Act (Cap. 289) ("SFA") pursuant to which it is exempt from the prospectus and registration requirements under the SFA.

Director Notification Obligation. If you are a director, associate director or shadow director of the Company's Singapore Subsidiary or affiliate, you are subject to certain notification requirements under the Singapore Companies Act. Among these requirements is an obligation to notify the Company's Singapore Subsidiary or affiliate in writing when you receive an interest (e.g, Restricted Stock Units or shares) in the Company or any Parent, Subsidiary or affiliate. In addition, you must notify the Company's Singapore Subsidiary or affiliate when you sell shares or shares of any Parent, Subsidiary or affiliate (including when you sell shares issued upon vesting and settlement of the award). These notifications must be made within two days of acquiring or disposing of any interest in the Company or any Parent, Subsidiary or affiliate. In addition, a notification of your interests in the Company or any Parent, Subsidiary or affiliate must be made within two days of becoming a director.

SLOVENIA

There are no country specific provisions.

SOUTH AFRICA

Terms and Conditions

Taxes. By accepting the Restricted Stock Units, you agree that, immediately upon vesting and settlement of the Restricted Stock Units, you will notify the Employer of the amount of any gain realized. If you fail to advise the Employer of the gain realized upon vesting and settlement, you may be liable for a fine. You will be solely responsible for paying any difference between the actual tax liability and the amount withheld by the Employer.

Notifications

Exchange Control Information. Because no transfer of funds from South Africa is required under the awards, no filing or reporting requirements should apply when the award is granted or when Shares are issued upon vesting and settlement of the Restricted Stock Units. However, because the exchange control regulations are subject to change, you should consult your personal advisor prior to vesting and settlement of the award to ensure compliance with current regulations. You are responsible for ensuring compliance with all exchange control laws in South Africa.

SPAIN

Terms and Conditions

No Entitlement for Claims or Compensation. The following provision supplements

Section 19 of the Agreement:

By accepting the award, you consent to participation in the Plan, and acknowledge that you have received a copy of the Plan document. You understand that the Company has unilaterally, gratuitously and in its sole discretion decided to make awards of Restricted Stock Units under the Plan to individuals who may be Consultants, Directors, Employees and Non-Employee Directors throughout the world. The decision is limited and entered into based upon the express assumption and condition that any Restricted Stock Units will not economically or otherwise bind the Company or any Parent or Subsidiary, including the Employer, on an ongoing basis, other than as expressly set forth in the Agreement. Consequently, you understand that the award is given on the assumption and condition that the Restricted Stock Units shall not become part of any employment contract (whether with the Company or any Parent, Subsidiary or affiliate, including the Employer) and shall not be considered a mandatory benefit, salary for any purpose (including severance compensation) or any other right whatsoever. Furthermore, you understand and

freely accept that there is no guarantee that any benefit whatsoever shall arise from the award, which is gratuitous and discretionary, since the future value of the Restricted Stock Units and the underlying shares is unknown and unpredictable. You also understand that this award would not be made but for the assumptions and conditions set forth hereinabove; thus, you understand, acknowledge and freely accept that, should any or all of the assumptions be mistaken or any of the conditions not be met for any reason, the award, the Restricted Stock Units and any right to the underlying shares shall be null and void.

Notifications

Exchange Control Information. You must declare the acquisition of Shares to the *Dirección General de Política Comercial e Inversiones Exteriores* (“DGPCIE”) of the *Ministerio de Economía* for statistical purposes. You must also declare the ownership of any shares with the Directorate of Foreign Transactions each January while the shares are owned. In addition, you wish to import the share certificates into Spain, you must declare the importation of such securities to the DGPCIE.

When receiving foreign currency payments derived from the ownership of Shares (i.e., dividends or sale proceeds), you must inform the financial institution receiving the payment of the basis upon which such payment is made. You will need to provide the following information: (i) your name, address, and fiscal identification number; (ii) the name and corporate domicile of the Company; (iii) the amount of the payment and the currency used; (iv) the country of origin; (v) the reasons for the payment; and (vi) further information that may be required.

Tax Information. Effective October 2012, if you hold assets or rights outside of Spain (including shares acquired under the Plan), you may have to file an informational tax report with the tax authorities declaring such ownership. Generally, if the value of your foreign investments exceeds €50,000, you may have to file this informational return. Please note that reporting requirements are based on what you have previously disclosed and the increase in value of such and the total value of certain groups of foreign assets. Also, the thresholds for annual filing requirements may change each year. Therefore, you should consult your personal advisor regarding whether you will be required to file an informational tax report for asset and rights that you hold abroad.

SWEDEN

There are no country specific provisions.

SWITZERLAND

Notifications

Securities Law Notification The award is considered a private offering in Switzerland; therefore, it is not subject to registration in Switzerland.

TAIWAN

Notifications

Exchange Control Information. You may acquire and remit foreign currency (including proceeds from the sale of shares) into and out of Taiwan up to US\$5,000,000 per year. If the transaction amount is TW\$500,000 or more in a single transaction, you must submit a foreign exchange transaction form and also provide supporting documentation to the satisfaction of the remitting bank.

If the transaction amount is US\$500,000 or more, you may be required to provide additional supporting documentation to the satisfaction of the remitting bank. Please consult your personal advisor to ensure compliance with applicable exchange control laws in Taiwan.

THAILAND

Notifications

Exchange Control Information. When you sell shares issued to you at vesting, you must repatriate all cash proceeds to Thailand and then convert such proceeds to Thai Baht within 360 days of repatriation. If the amount of your proceeds is US\$20,000 or more, you must specifically report the inward remittance to the Bank of Thailand on a foreign exchange transaction form. If you fail to comply with these obligations, you may be subject to penalties assessed by the Bank of Thailand. You should consult your personal advisor before taking action with respect to remittance of proceeds from the sale of Shares into Thailand. You are responsible for ensuring compliance with all exchange control laws in Thailand.

TURKEY

There are no country specific provisions.

UNITED ARAB EMIRATES

There are no country specific provisions.

UNITED KINGDOM

Terms and Conditions

Joint Election. As a condition of participation in the Plan, you agree to accept any liability for secondary Class 1 NICs which may be payable by the Company and/or the Parent or Subsidiary employing or retaining you in connection with the Restricted Stock Units and any event giving rise to Tax-Related Items (the "Employer's NICs"). Without limitation to the foregoing, you agree to enter into a joint election with the Company (the "Joint Election"), the form of such Joint Election being formally approved by HMRC, and to execute any other consents or elections required to accomplish the transfer of the Employer's NICs to you. You further agree to execute such other joint elections as may be required between you and any successor to the Company and/or the Parent or Subsidiary employing or retaining you. You further agree that the Company and/or the Parent or Subsidiary employing or retaining you may collect Employer's NICs from you by any of the means set forth in Section 7 of the Agreement.

If you do not enter into a Joint Election, if approval of the Joint Election has been withdrawn by HMRC or if such Joint Election is jointly revoked by you and the Company or the Parent or Subsidiary employing or retaining you, as applicable, the Company, in its sole discretion and without any liability to you, may choose not to issue or deliver any shares of Common Stock to you at vesting and you will forfeit your Restricted Stock Units.

Tax and National Insurance Contributions Acknowledgment. The following provisions supplement Section 7 of the Agreement:

You agree that if you do not pay or the Employer or the Company does not withhold from you the full amount of Withholding Taxes that you owe due to the vesting of the Restricted Stock Units, or the release or assignment of the Restricted Stock Units for consideration, or the receipt of any other benefit in connection with the Restricted Stock Units (the "Taxable Event") within 90 days after the Taxable Event, or such other period specified in Section 222(1)(c) of the U.K. Income Tax (Earnings and Pensions) Act 2003,

then the amount that should have been withheld shall constitute a loan owed by you to the Employer, effective 90 days after the Taxable Event. You agree that the loan will bear interest at the HMRC's official rate and will be immediately due and repayable by you, and the Company and/or the Employer may recover it at any time thereafter by withholding the funds from salary, bonus or any other funds due to you by the Employer, by withholding in Shares issued upon vesting and settlement of the Restricted Stock Units or from the cash proceeds from the sale of Shares or by demanding cash or a cheque from you. You also authorize the Company to delay the issuance of any Shares to you unless and until the loan is repaid in full.

Notwithstanding the foregoing, if you are an officer or executive director (as within the meaning of Section 13(k) of the U.S. Securities and Exchange Act of 1934, as amended), the terms of the immediately foregoing provision will not apply. In the event that you are an officer or executive director and Withholding Taxes are not collected from or paid by you within 90 days of the Taxable Event, the amount of any uncollected Withholding Taxes may constitute a benefit to you on which additional income tax and national insurance contributions may be payable. You acknowledge that the Company or the Employer may recover any such additional income tax and national insurance contributions at any time thereafter by any of the means referred to in Section 7 of the Agreement.

UNITED STATES

There are no country specific provisions.

**CERTIFICATION PURSUANT TO SECTION 302(a)
OF THE SARBANES-OXLEY ACT OF 2002**

I, Thomas Georgens, certify that:

- 1) I have reviewed this Quarterly Report on Form 10-Q 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/ THOMAS GEORGENS

Thomas Georgens

President and Chief Executive Officer,

(Principal Executive Officer and Principal Operating Officer)

Dated: November 26, 2013

**CERTIFICATION PURSUANT TO SECTION 302(a)
OF THE SARBANES-OXLEY ACT OF 2002**

I, Nicholas R. Noviello, certify that:

- 1) I have reviewed this Quarterly Report on Form 10-Q 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/ NICHOLAS R. NOVIELLO

Nicholas R. Noviello
Executive Vice President and Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Dated: November 26, 2013

**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, Thomas Georgens, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of NetApp, Inc., on Form 10-Q for the quarterly period ended October 25, 2013 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 Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of NetApp, Inc.

/s/ THOMAS GEORGENS

Thomas Georgens

President and Chief Executive Officer,

(Principal Executive Officer and Principal Operating Officer)

Dated: November 26, 2013

**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, Nicholas R. Noviello, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of NetApp, Inc., on Form 10-Q for the quarterly period ended October 25, 2013 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 Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of NetApp, Inc.

/s/ NICHOLAS R. NOVIELLO

Nicholas R. Noviello

Executive Vice President and Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

Dated: November 26, 2013

