

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 29, 1999

OR

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

FOR THE TRANSITION PERIOD FROM _____ TO _____ .

COMMISSION FILE NUMBER 0-27130

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

CALIFORNIA
(STATE OR OTHER JURISDICTION OF
INCORPORATION OR ORGANIZATION)

77-0307520
(IRS EMPLOYER
IDENTIFICATION NO.)

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

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

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of
1934 during the preceding 12 months (or for such shorter period that the
registrant was required to file such reports), and (2) has been subject to such
filing requirements for the past 90 days.

Yes No

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

CLASS	OUTSTANDING AT OCTOBER 29, 1999
-----	-----
Common Stock.....	74,669,461

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PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NETWORK APPLIANCE, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

	OCTOBER 29, 1999	APRIL 30, 1999
	-----	-----
	(UNAUDITED)	**
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$220,828	\$221,284
Short-term investments	51,673	5,800
Accounts receivable, net	78,747	57,163
Inventories	17,542	13,581
Prepaid expenses and other assets	6,290	7,384
Deferred taxes	20,134	10,134

Total current assets	395,214	315,346
PROPERTY AND EQUIPMENT, NET	27,080	19,271
DEPOSITS	7,170	7,000
OTHER ASSETS	4,840	4,730
	-----	-----
	\$434,304	\$346,347
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 27,358	\$ 15,126
Income taxes payable	460	1,108
Accrued compensation and related benefits	18,986	15,189
Other accrued liabilities	8,611	7,633
Deferred revenue	13,223	11,474
	-----	-----
Total current liabilities	68,638	50,530
LONG-TERM OBLIGATIONS	52	93
	-----	-----
	68,690	50,623
	-----	-----
SHAREHOLDERS' EQUITY:		
Common stock	280,393	240,093
Retained earnings	85,470	55,954
Cumulative other comprehensive loss	(249)	(323)
	-----	-----
Total shareholders' equity	365,614	295,724
	-----	-----
	\$434,304	\$346,347
	=====	=====

** Derived from audited consolidated financial statements.

See accompanying notes to condensed consolidated financial statements.

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NETWORK APPLIANCE, INC.

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

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	OCTOBER 29, 1999	OCTOBER 30, 1998	OCTOBER 29, 1999	OCTOBER 30, 1998
	-----	-----	-----	-----
NET SALES	\$124,712	\$ 65,625	\$227,991	\$123,000
COST OF SALES	51,516	26,881	94,055	50,120
	-----	-----	-----	-----
Gross Margin	73,196	38,744	133,936	72,880
	-----	-----	-----	-----
OPERATING EXPENSES:				
Sales and marketing	32,548	17,064	59,432	31,999
Research and development	13,462	6,722	24,682	12,803
General and administrative	4,487	2,552	8,305	4,437
	-----	-----	-----	-----
Total operating expenses	50,497	26,338	92,419	49,239
	-----	-----	-----	-----
INCOME FROM OPERATIONS	22,699	12,406	41,517	23,641
OTHER INCOME (EXPENSE):				
Interest Income	2,537	550	4,643	1,008
Other income (expense)	(356)	445	(399)	108

Total other income, net	2,181	995	4,244	1,116
INCOME BEFORE INCOME TAXES	24,880	13,401	45,761	24,757
PROVISION FOR INCOME TAXES	8,832	5,025	16,245	9,284
NET INCOME	\$ 16,048	\$ 8,376	\$ 29,516	\$ 15,473
NET INCOME PER SHARE:				
Basic	\$ 0.22	\$ 0.12	\$ 0.40	\$ 0.23
Diluted	\$ 0.19	\$ 0.11	\$ 0.35	\$ 0.20
Pro Forma - Basic (Note 8)	\$ 0.11	\$ 0.06	\$ 0.20	\$ 0.11
Pro Forma - Diluted (Note 8)	\$ 0.09	\$ 0.06	\$ 0.18	\$ 0.10
SHARES USED IN PER SHARE CALCULATIONS:				
Basic	74,122	67,878	73,608	67,468
Diluted	84,492	76,112	83,833	75,544
Pro Forma - Basic (Note 8)	148,244	135,756	147,216	134,936
Pro Forma - Diluted (Note 8)	168,984	152,224	167,666	151,088

See accompanying notes to condensed consolidated financial statements.

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NETWORK APPLIANCE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(UNAUDITED)

	SIX MONTHS ENDED	
	OCTOBER 29, 1999	OCTOBER 30, 1998
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 29,516	\$ 15,473
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,871	4,792
Provision for doubtful accounts	723	700
Deferred income taxes	(10,000)	(1,463)
Deferred rent	(40)	(29)
Changes in assets and liabilities:		
Accounts receivable	(22,294)	(11,329)
Inventories	(3,900)	(2,019)
Prepaid expenses and other assets	871	472
Accounts payable	12,232	2,361
Income taxes payable	23,752	5,904
Accrued compensation and related benefits	3,798	1,167
Other accrued liabilities	978	1,689
Deferred revenue	1,749	2,449
Net cash provided by operating activities	43,256	20,167
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of short-term investments	(51,673)	(12,880)
Redemptions of short-term investments	5,800	14,930
Purchases of property and equipment	(13,164)	(6,183)
Payment/refund of deposits, net	(170)	(10,500)
Net cash used in investing activities	(59,207)	(14,633)

CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of long-term obligations	--	(17)
Proceeds from sale of common stock, net	15,495	5,523
	-----	-----
Net cash provided by financing activities	15,495	5,506
	-----	-----
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	(456)	11,040
CASH AND CASH EQUIVALENTS:		
Beginning of period	221,284	37,315
	-----	-----
End of period	\$220,828	\$ 48,355
	=====	=====
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Income tax benefit from employee stock transactions	\$ 24,400	\$ 3,710
SUPPLEMENTAL CASH FLOW INFORMATION:		
Income taxes paid net of refund	\$ 1,407	\$ 4,816

See accompanying notes to condensed consolidated financial statements.

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

1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The accompanying condensed consolidated financial statements have been prepared by Network Appliance, Inc. without audit and reflect all adjustments, which are, in the opinion of management, necessary for a fair presentation of our financial position and results of operations for the interim periods. The statements have been prepared in accordance with the regulations of the Securities and Exchange Commission (SEC). Accordingly, they do not include all information and footnotes required by generally accepted accounting principles. The results of operations for the three and six-month periods ended October 29, 1999 are not necessarily indicative of the operating results to be expected for the full fiscal year or future operating periods. The information included in this report should be read in conjunction with the audited consolidated financial statements and notes thereto for the fiscal year ended April 30, 1999 and the risk factors as set forth in our Annual Report on Form 10-K, including, without limitation, risks relating to fluctuating operating results, customer and market acceptance of new products, dependence on new products, rapid technological change, litigation, dependence on growth in the network file server market, expansion of international operations, product concentration, changing product mix, competition, management of expanding operations, dependence on high-quality components, dependence on proprietary technology, intellectual property rights, dependence on key personnel, volatility of stock price, shares eligible for future sale, effect of certain anti-takeover provisions, dilution and the Year 2000 Issue. Any party interested in reviewing these publicly available documents should contact the SEC or our Chief Financial Officer.

2. SIGNIFICANT ACCOUNTING POLICIES

Fiscal Periods - We operate on a 52-week or 53-week year ending on the last Friday in April. Fiscal 2000 is a 52-week year. Fiscal 1999 was a 53-week year. The quarter ended October 29, 1999 includes 13 weeks of operating activity, compared to 13 weeks of activity for the corresponding period of the prior fiscal year. The six-months ended October 29, 1999 includes 26 weeks of activity, compared to 27 weeks of activity for the corresponding period of the prior fiscal year.

Foreign Currency Translation - In the first quarter of fiscal 2000, we determined that the functional currencies of certain of our foreign subsidiaries had changed from the local currencies to the Euro. Accordingly, assets and liabilities of such foreign subsidiaries are translated into Euro at the exchange rates in effect as of the balance sheet date, and results of operations for each subsidiary are translated using average rates in effect for the period presented. Translation adjustments have been included within shareholders'

equity as a cumulative other comprehensive loss. The effect of the change in functional currencies did not have a material impact on our consolidated financial position, results of operations or cash flows.

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

3. INVENTORIES

Inventories consist of the following:

	OCTOBER 29, 1999 -----	APRIL 30, 1999 -----
(IN THOUSANDS)		
Purchased components	\$ 3,239	\$ 5,316
Work in process	4,066	1,727
Finished goods	10,237	6,538
	-----	-----
	\$ 17,542	\$ 13,581
	=====	=====

4. COMMON STOCK AND NET INCOME PER SHARE

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

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	OCTOBER 29, 1999 -----	OCTOBER 30, 1998 -----	OCTOBER 29, 1999 -----	OCTOBER 30, 1998 -----
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)				
NET INCOME (NUMERATOR):				
Net income, basic and diluted	\$ 16,048	\$ 8,376	\$ 29,516	\$ 15,473
	=====	=====	=====	=====
SHARES (DENOMINATOR):				
Weighted average common shares outstanding	74,170	68,052	73,663	67,796
Weighted average common shares outstanding subject to repurchase	(48)	(174)	(55)	(328)
	-----	-----	-----	-----
Shares used in basic computation	74,122	67,878	73,608	67,468
Weighted average common shares outstanding subject to repurchase	48	174	55	328
Common shares issuable upon exercise of stock options	10,322	8,060	10,170	7,748
	-----	-----	-----	-----
Shares used in diluted computation	84,492	76,112	83,833	75,544
	=====	=====	=====	=====
NET INCOME PER SHARE:				
Basic	\$ 0.22	\$ 0.12	\$ 0.40	\$ 0.23
	=====	=====	=====	=====
Diluted	\$ 0.19	\$ 0.11	\$ 0.35	\$ 0.20
	=====	=====	=====	=====

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

5. COMPREHENSIVE INCOME

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

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	OCTOBER 29, 1999	OCTOBER 30, 1998	OCTOBER 29, 1999	OCTOBER 30, 1998
(IN THOUSANDS)				
Net income	\$ 16,048	\$ 8,376	\$29,516	\$ 15,473
Change in cumulative translation adjustment	(190)	(35)	74	(18)
Comprehensive income	\$ 15,858	\$ 8,341	\$29,590	\$ 15,455

6. NEW ACCOUNTING PRONOUNCEMENTS

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

7. COMMITMENTS

In fiscal 1999, we executed agreements to acquire approximately 18 acres of land in Sunnyvale, California and to develop 393,000 square feet of buildings. We subsequently assigned our rights and obligations under all the agreements for the Sunnyvale facilities to a third-party entity and entered into three operating leases. The leases require monthly payments, which vary, based on the London Interbank Offered Rate (LIBOR) plus a spread (7.6% at October 29, 1999). The aggregate annual minimum rent commitments under one lease which began in August 1999, is approximately \$3.3 million. The lease payments under the other two operating leases are expected to commence in June 2000 and will also vary based on LIBOR plus a spread.

The operating leases mentioned above require us to maintain specified financial covenants with which we were in compliance as of October 29, 1999.

8. SUBSEQUENT EVENTS

On November 16, 1999, the Board of Directors approved a two-for-one stock split of the Company's common stock to be distributed on or about December 20, 1999 to holders of record on December 10, 1999. Proforma share and per-share amounts have been presented within the Condensed Consolidated Statements of Income to reflect the stock split.

In November 1999, we executed an agreement to acquire certain property in Sunnyvale, California. Under terms of the agreement, we paid \$3.0 million of the \$61.0 million purchase price as a nonrefundable deposit subsequent to October 29, 1999. The agreement allows us to assign our rights and obligations to a third-party entity should we decide to enter into an operating lease. We intend to assign our rights and obligations to a third-party entity and enter into an operating lease provided we can obtain satisfactory leasing terms.

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

RESULTS OF OPERATIONS

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

	Three Months Ended		Six Months Ended	
	October 29, 1999	October 30, 1998	October 29, 1999	October 30, 1998
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	41.3	41.0	41.3	40.7
Gross margin	58.7	59.0	58.7	59.3
Operating expenses:				
Sales and marketing	26.1	26.0	26.1	26.0
Research and development	10.8	10.2	10.8	10.4
General and administrative	3.6	3.9	3.6	3.6
Total operating expenses	40.5	40.1	40.5	40.0
Income from operations	18.2	18.9	18.2	19.3
Other income, net	1.8	1.5	1.9	0.9
Income before income taxes	20.0	20.4	20.1	20.2
Provision for income taxes	7.1	7.6	7.1	7.6
Net income	12.9%	12.8%	13.0%	12.6%

Net Sales -- Net sales increased by 90.0% to \$124.7 million for the three-months ended October 29, 1999, from \$65.6 million for the three-months ended October 30, 1998. Net sales increased by 85.4% to \$228.0 million for the six-months ended October 29, 1999, from \$123.0 million for the six-months ended October 30, 1998. Net sales growth was across all geographies, products and markets. This increase in net sales for both the three and six-months ended October 29, 1999 was primarily attributable to a higher volume of units shipped, as compared to the corresponding periods of the prior fiscal year. Factors impacting unit growth include:

- growth in the network attached storage market, increased market acceptance of the appliance concept and the growing enterprise market driven by the need for reliable internet infrastructure;
- acceleration in deployment of our products among Internet and enterprise related customers, particularly for E-business and new E-commerce applications;
- strong demand for our F700 filer product family utilizing primarily fibre-channel connectivity;
- increased worldwide shipment of NetApp(R) Cluster Failover solutions;
- increased worldwide demand for our NetCache(TM) solutions;
- additional filer demand created by SnapMirror(TM) to store the remote replicated data for disaster recovery;
- expansion of our direct sales force; and
- sales to our two OEM partners.

Net sales growth was also positively impacted by:

- a higher average selling price due to the introduction of new software features: SnapMirror, SnapRestore(TM) and Cluster Failover, supporting mission-critical applications;
- the increase in storage capacity;

- increased add on software revenue from multi-protocol solutions; and
- higher software subscription and service revenues to support a growing installed base.

Overall net sales growth was partially offset by declining unit sales of our older product family.

International net sales (including United States exports) grew by 102.2% and 111.5% for the three and six-month periods ended October 29, 1999, as compared to the comparable period of the prior fiscal year. International net sales were \$34.2 million, or 27.5% of total net sales, and \$62.7 million, or 27.5% of total net sales, for the three and six-month periods ended October 29, 1999, respectively. The increase in international sales for the three and six-month periods ended October 29, 1999, was primarily a result of European sales growth, due to increased headcount in the direct sales force, increased indirect channel sales through resellers, increased shipments of filers, Cluster Failover solutions, NetCache appliances and increased sales of add-on software licenses. Asia Pacific net sales growth for the three and six-month periods ended October 29, 1999, was also primarily driven by increased indirect sales through resellers, increased headcount in the direct sales force, increased shipments of filers, NetCache appliances and increased sales of add-on software licenses, as compared to the corresponding periods of the prior fiscal year.

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

Gross Margin -- Gross margin decreased slightly to 58.7% for the three-months ended October 29, 1999 from 59.0% for the three-months ended October 30, 1998. Gross margin decreased to 58.7% for the six-months ended October 29, 1999 from 59.3% for the six-months ended October 30, 1998. Gross margin was negatively impacted by recent price reductions on disk drives due to competitive pricing pressure from other storage vendors.

Gross margin was also favorably impacted by:

- increased licensing of add on software from multi-protocol, Cluster Failover, SnapMirror and SnapRestore;
- growth in software subscription and service revenues due to a larger installed base;
- the increase in product volume;
- lower costs of key components; and
- increased manufacturing efficiencies.

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

- competition;

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- product configuration;
- direct versus indirect sales;
- the mix and average selling prices of products, including software licenses;
- new product introductions and enhancements; and
- the cost of components and manufacturing labor.

Sales and Marketing -- Sales and marketing expenses consist primarily of salaries, commissions, advertising and promotional expenses and certain customer service and support costs. Sales and marketing expenses increased 90.7% to \$32.5 million for the three-months ended October 29, 1999 from \$17.1 million for the three-months ended October 30, 1998. Sales and marketing expenses increased 85.7% to \$59.4 million for the six-months ended October 29, 1999 from \$32.0 million for the six-months ended October 30, 1998. These expenses were

26.1% and 26.0% of net sales for the three-months ended October 29, 1999 and October 30, 1998, respectively, and were 26.1% and 26.0%, respectively, of net sales for the six-months periods then ended. The increase in absolute dollars was primarily related to the continued worldwide expansion and increased headcount growth of our sales and customer service organizations, and increased commission expenses. We expect to continue to increase our sales and marketing expenses in an effort to expand domestic and international markets, introduce new products, establish and expand new distribution channels and increase product and company awareness. We believe that our continued growth and profitability is dependent in part on the successful expansion of our international operations, and therefore, have committed significant resources to increase international sales.

Research and Development -- Research and development expenses consist primarily of salaries and benefits, prototype expenses, non-recurring engineering charges and fees paid to outside consultants. Research and development expenses increased 100.0% to \$13.5 million for the three-months ended October 29, 1999 from \$6.7 million for the three-months ended October 30, 1998. These expenses represented 10.8% and 10.2% of net sales, respectively, for the three-months ended October 29, 1999 and October 30, 1998. For the six-month periods, research and development expenses increased 92.8% to \$24.7 million in fiscal 2000 from \$12.8 million in fiscal 1999, and represented 10.8% and 10.4% of net sales, respectively, for those periods. Research and development expenses increased in absolute dollars, primarily as a result of increased headcount, ongoing support of current and future product development and enhancement efforts, prototyping expenses and non-recurring engineering charges associated with the development of new products and technologies. These new products included the F700 series filers, the Cluster Failover solutions, the C700 family, new enterprise software offerings and data management tools with SnapMirror, SnapRestore and SecureAdmin(TM) as well as Netcache software release 4.0 and architecture supporting the next-generation of web and digital media. We believe that our future performance will depend in large part on our ability to maintain and enhance our current product line, develop new products that achieve market acceptance, maintain technological competitiveness and meet an expanding range of customer requirements. We intend to continuously expand our existing product offerings and to introduce new products and expect that such expenditures will continue to increase in absolute dollars. For the three and six-months ended October 29, 1999 and October 30, 1998, no software development costs were capitalized.

General and Administrative -- General and administrative expenses increased 75.8% to \$4.5 million for the three-months ended October 29, 1999, from \$2.6 million for the three-months ended October 30, 1998. These expenses represented 3.6% and 3.9% of net sales for the three-months ended for such periods. For the six-month periods, general and administrative expenses increased 87.2% to \$8.3 million in fiscal 2000 from \$4.4 million in fiscal 1999 and represented 3.6% of net sales for both periods. Increases in absolute dollars were primarily due to increased headcount, expenses associated with initiatives to implement enterprise-wide management information systems, increases in professional services, consulting fees and outside service fees. We believe that our general and administrative expenses will increase in absolute dollars as we continue to build our infrastructure.

Other Income, net -- Other income, net, was \$2.2 million and \$1.0 million for the three-months ended October 29, 1999 and October 30, 1998, respectively. During the six-months ended October 29, 1999, other income was \$4.2 million, as compared to \$1.1 million in the corresponding period of the prior year. The increase was due primarily to interest income earned on the net proceeds from the March 1999 follow-on public offering, cash generated from operations, and net proceeds from stock option exercises.

The second quarter of fiscal 1999 included gains from foreign currency transactions as compared to the second quarter of fiscal 2000, where gains or losses from foreign transactions are mitigated primarily through our hedging program.

Provision for Income Taxes -- Our effective tax rate was 35.5% for the three and six-month periods ended October 29, 1999 compared to 37.5% for the three and six-month periods ended October 30, 1998. The effective tax rates differed from the U.S. statutory rate of 35% primarily due to state taxes partially offset by earnings of foreign subsidiaries being taxed at lower rates.

CERTAIN RISK FACTORS

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

- the level of competition in our target product markets;
- the size, timing, and cancellation of significant orders;
- product configuration and mix;
- market acceptance of new products and product enhancements;
- new product announcements or introductions by us or our competitors;
- deferrals of customer orders in anticipation of new products or product enhancements;
- changes in pricing by us or our competitors;
- our ability to timely develop, introduce and market new products and enhancements;
- supply constraints;
- technological changes in our target product markets;
- the levels of expenditure on research and development and expansion of our sales and marketing programs;
- seasonality; and
- general economic trends.

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

We conduct business internationally. For both the three and six-months ended October 29, 1999, approximately 27.5% of our net sales were to international customers (including United States exports). Accordingly, our future operating results could be materially adversely affected by a variety of factors, some of which are beyond our control, including regulatory, political or economic conditions in a specific country or region, trade protection measures and other regulatory requirements and government spending patterns.

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

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

results.

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

We believe that continued growth and profitability will require successful expansion of our international operations and sales and therefore we have committed significant resources to such expansion. In order to successfully expand international sales in fiscal 2000 and subsequent periods, we must strengthen foreign operations, hire additional personnel and recruit additional international distributors and resellers. This will require significant management attention and financial resources and could materially adversely affect our operating results. To the extent that we are unable to effect these additions in a timely manner, our growth, if any, in international sales will be limited, and our operating results could be materially adversely affected. In addition, we cannot assure you that we will be able to maintain or increase international market demand for our products.

LIQUIDITY AND CAPITAL RESOURCES

As of October 29, 1999, as compared to the April 30, 1999 balances, our cash, cash equivalents and short-term investments increased by \$45.4 million to \$272.5 million. Working capital increased by \$61.8 million to \$326.6 million. We generated cash from operating activities totaling \$43.3 million and \$20.2 million for the six-month periods ended October 29, 1999 and October 30, 1998, respectively. Net cash provided by operating activities for the six-month period ended October 29, 1999 principally related to net income of \$29.5 million, increases in accounts payable, income taxes payable, accrued compensation and related benefits, deferred revenue and other accrued liabilities and decreases in prepaid expenses and other assets, coupled with depreciation and amortization which are non-cash expenses, partially offset by increases in accounts receivable, inventories, and deferred income taxes.

We used \$13.2 million and \$6.2 million of cash during the six-month periods ended October 29, 1999 and October 30, 1998, respectively, for capital expenditures. The increases were primarily attributed to upgrades of software and computer equipment purchases and furniture and fixtures for the Sunnyvale headquarters facility. We have used \$45.9 million during the six-month period ended October 29, 1999 and provided for \$2.1 million during the six-month period ended October 30, 1998, for net short-term investment purchases.

During the six-month period of fiscal 2000, we received back our \$2.5 million deposit in connection with the \$36.0 million operating lease. In September 1999, we executed an agreement to acquire 9.9 acres of land in Sunnyvale, California and the accompanying 178,996 square foot building. Under terms of the agreement, we paid \$2.7 million of the \$23.4 million purchase price as a nonrefundable deposit. The agreement allows us to assign our rights and obligations to a third-party entity should we decide to enter into an operating lease. We intend to assign our rights and obligations to a third-party entity and enter into an operating lease provided we can obtain satisfactory leasing terms.

In addition, we have commitments related to operating lease arrangements, under which we have an option to purchase the properties for an aggregate of \$128.0 million, or arrange for the sale of the properties to a third party for at least the option price with a contingent liability for any deficiency.

Financing activities provided \$15.5 million and \$5.5 million during the six-month periods ended October 29, 1999 and October 30, 1998, respectively. The increase in cash provided by financing activities for the six-months ended October 29, 1999, compared to the corresponding period of the prior fiscal year, was due to an increased quantity of stock options exercised at a higher average exercise price and a greater number of employees participating in the employee stock purchase plan.

In November 1999, we executed an agreement to acquire certain property in Sunnyvale, California. Under terms of the agreement, we paid \$3.0 million of the \$61.0 million purchase price as a nonrefundable deposit subsequent to October 29, 1999. The agreement allows us to assign our rights and obligations

to a third-party entity should we decide to enter into an operating lease. We intend to assign our rights and obligations to a third-party entity and enter into an operating lease provided we can obtain satisfactory leasing terms.

Excluding the commitments related to the aforementioned properties, which we intend to assign to third parties and account for as operating leases, we currently have no significant commitments other than commitments under operating leases. We believe that our existing liquidity and capital resources, including the available amounts under the \$5.0 million line of credit, are sufficient to fund our operations for at least the next twelve months.

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YEAR 2000

The Year 2000 issue refers to computer programs which use two digits rather than four to define a given year and which therefore might read a date using "00" as the year 1900 rather than the year 2000. As a result, many companies' systems and software may need to be upgraded or replaced in order to function correctly after December 31, 1999.

We are currently conducting a general software upgrade and replacement program to enhance our computer systems and applications, in particular those systems and applications related to our manufacturing, distribution and financial operations. As part of this larger program we are addressing the critical areas of our internal computer systems, products and relationships with external organizations for Year 2000 compliance. We are addressing Year 2000 compliance for both our IT and non-IT systems, which typically include embedded technology such as microcontrollers.

As part of our general systems upgrade we have evaluated and selected various significant computer software applications which are represented by vendors as Year 2000 compliant. We have substantially completed installation of such software in our domestic operations during the second quarter of fiscal 2000 which will be followed by installation in our international operations throughout fiscal 2000. Most of our existing business applications are already supported by Year 2000 compliant software. With the system changes implemented to date and other planned changes, we anticipate that our internal computer software systems will be Year 2000 compliant prior to December 31, 1999. We believe that our current products are Year 2000 compliant, and our new products are being designed to be Year 2000 compliant.

We rely on numerous third party vendors for certain products and services. We have communicated with our principal service providers and suppliers to assess their Year 2000 readiness. Responses indicate that our significant service providers currently have compliant versions of their systems available or are well into the renovation and testing phases with completion scheduled prior to December 31, 1999. We have assessed the effect Year 2000 issues will have on our service providers and suppliers, however, our principal service providers and suppliers have represented to us that they are Year 2000 compliant. We can give you no guarantee that the systems and products of these service providers and suppliers on which we rely are, or will be, Year 2000 compliant.

Our contingency planning for Year 2000 issues relates primarily to the efforts of our third-party vendors. In the event of any Year 2000 disruptions related to third-party software, we expect to follow the individual vendor's contingency directives. With respect to suppliers, we will consider alternative sources as a contingency plan, if necessary. Contingency planning will continue throughout 1999 and our plans will be modified based upon the progress of our remediation efforts, system updates and installations and based upon our communications with selected suppliers. We have determined that our "worst case" scenario relates to Year 2000 compliance problems of our third party vendors and suppliers and other external organizations which if not remedied could materially adversely affect our operating results.

The costs we expect to incur in connection with our overall general systems upgrade program, including both internal and third party costs, are primarily external costs for software licenses, and implementation and consulting services. These systems and applications were selected primarily for features and functionality in addition to Year 2000 compliance. Accordingly, we do not itemize costs of Year 2000 compliance separately.

Our expectations regarding the impact of Year 2000 issues are forward looking statements and actual results could vary due to the factors discussed in this section. While we believe that the estimated cost of becoming Year 2000 compliant will not be significant to our operating results, failure to complete all the work in a timely manner could materially adversely affect our operating results. While we expect all planned work to be completed, we can not guarantee that all systems will be in compliance by the Year 2000, the systems of suppliers and other companies and government agencies on which we rely will be Year 2000 compliant, or that our contingency planning will be able to fully address all potential interruptions. Therefore, Year 2000 issues could cause delays in our ability to produce or ship our

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products, process transactions or otherwise conduct business in any of our markets. Year 2000 issues could lower demand for our products while increasing our costs. The occurrence of one or more of these factors could materially adversely affect our operating results.

NEW ACCOUNTING STANDARDS

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

Market Interest Risk

Short-term Investments - As of October 29, 1999, we had short-term investments of \$51.7 million. These short-term investments consist of highly liquid investments with original maturities at the date of purchase between three and twelve months. These investments are subject to interest rate risk and will decrease in value if market interest rates increase. A hypothetical 10 percent increase in market interest rates from levels at October 29, 1999, would cause the fair value of these short-term investments to decline by an immaterial amount. Because we have the ability to hold these investments until maturity we would not expect any significant decline in value of our investments caused by market interest rate changes. Declines in interest rates over time will, however, reduce our interest income.

Operating Lease Commitments - As of October 29, 1999, we have outstanding lease commitments to a third-party entity under operating lease agreements, which vary based on a monthly LIBOR rate plus a spread. However, a hypothetical 10 percent decrease in interest rates would not have a material impact on us. Increases in interest rates could, however, increase our rent expenses associated with future lease payments. We do not currently hedge against interest rate increases. However, our investment portfolio offers a natural hedge against interest rate risk from our operating lease commitments in the event of a significant increase in the market interest rate.

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

Foreign Currency Exchange Rate Risk - We hedge risks associated with foreign currency transactions in order to minimize the impact of changes in foreign currency exchange rates on earnings. We utilize forward contracts to hedge against the short-term impact of foreign currency fluctuations on certain

assets and liabilities denominated in foreign currencies. All hedge instruments are marked to market through earnings every period. We believe that these forward contracts do not subject us to undue risk due to foreign exchange movements because gains and losses on these contracts are offset by losses and gains on the underlying assets and liabilities.

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

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The following table provides information about our foreign exchange forward contracts outstanding on October 29, 1999, (in thousands):

Currency	Buy/ Sell	Foreign Currency Amount	Contract Value USD	Fair Value in USD
-----	-----	-----	-----	-----
EUR	Sell	14,954	16,042	15,730
GBP	Sell	4,985	8,056	8,192
CHF	Buy	1,288	852	845

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None

ITEM 2. CHANGES IN SECURITIES

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

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

None

ITEM 5. OTHER INFORMATION

None

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ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

- 10.41 Purchase and Sale Agreement dated September 9, 1999, by and between Trinet Essential Facilities XII, Inc., and the Company
- 10.42 Agreement of Assignment of Lease, dated September 3, 1999, by and between Lockheed Martin Corporation, and the Company
- 27.1 Financial Data Schedule

(b) REPORTS ON FORM 8-K

None

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SIGNATURE

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

NETWORK APPLIANCE, INC.
(Registrant)

/S/ JEFFRY R.ALLEN

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

Date: December 2, 1999

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EXHIBIT INDEX

DESCRIPTION

EXHIBIT
NUMBER

10.41	Purchase and Sale Agreement, dated September 9, 1999, by and between Trinet Essential Facilities XII, Inc., and the Company
10.42	Agreement of Assignment of Lease, dated September 3, 1999 by and between Lockheed Martin Corporation and the Company
27.1	Financial Data Schedule

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PURCHASE AGREEMENT

between

TRINET ESSENTIAL FACILITIES XII, INC., Seller

and

NETWORK APPLIANCE, INC., Buyer

September 9, 1999

1260 Crossman Avenue
Sunnyvale, California

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Exhibit A	Legal Description
Exhibit B	Items Delivered by Seller
Exhibit C	Grant Deed
Exhibit D	Seller's Closing Certificate
Exhibit E	Buyer's Closing Certificate
Exhibit F	Assignment of Leases
Exhibit G	Certificate of Nonforeign Status
Exhibit H	General Release

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PURCHASE AGREEMENT

THIS AGREEMENT, made as of September 9, 1999, by and between TRINET ESSENTIAL FACILITIES XII, INC., a Maryland corporation ("Seller"), and NETWORK APPLIANCE, INC., a California corporation ("Buyer"),

W I T N E S S E T H:

In consideration of the covenants in this Agreement, Seller and Buyer agree as follows:

ARTICLE 1

Purchase and Sale

1.1 The Property. Seller agrees to sell to Buyer, and Buyer agrees to purchase from Seller, in accordance with this Agreement, the real property in the City of Sunnyvale, County of Santa Clara, State of California, commonly known as 1260 Crossman Avenue, Sunnyvale, California, described in Exhibit A attached hereto, together with the improvements on such real property, the easements and rights appurtenant to such real property, and Seller's interest in the Lease, dated May 5, 1978, between Lockheed Martin Corporation, a Maryland corporation ("Tenant"), as successor to Ford Aerospace and Communications Corporation, as tenant, and The Prudential Insurance Company of America, as landlord, together with all amendments and ancillary agreements thereto (the "Lease"), pertaining to such real property (all such real property, improvements, easements, rights and Seller's interest in the Lease are collectively the "Property").

1.2 Property Approval Period.

(a) During the period from the date of this Agreement to the date thirty (30) days after the date of this Agreement (the "Property Approval Period"), Buyer shall, in good faith and with diligence, at Buyer's expense, review and investigate the physical and environmental condition of the Property, the character, quality and general utility of the Property, the zoning, land use, environmental and building requirements and restrictions applicable to the Property, the state of title to the Property, and the Lease. Buyer shall determine whether or not the Property is acceptable to Buyer within the Property Approval Period. If, during the Property Approval Period, Buyer determines, in Buyer's sole discretion, that the Property is not acceptable, Buyer shall have the right, by giving notice to Seller on or before the last day of the Property Approval Period, to terminate this Agreement. If Buyer exercises the right to terminate this Agreement in accordance with this section 1.2, this Agreement

shall terminate as of the date such termination notice is given by Buyer, in which event the Deposit (as hereinafter defined) and all interest thereon shall be returned to Buyer. If Buyer does not exercise the right to terminate this Agreement in accordance with this section 1.2, this Agreement shall continue in full force and effect, and Buyer shall have no further right to terminate this Agreement pursuant to this section 1.2.

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(b) Prior to the date of this Agreement Seller has delivered to Buyer, and Buyer acknowledges receipt of, all of the items listed on Exhibit B attached hereto which Seller is required to deliver. During the Property Approval Period, subject to the rights of Tenant set forth in the Lease, Seller shall provide Buyer and Buyer's representatives with access to the Property pursuant to, and subject to the terms and conditions of, the Access Agreement dated September 3, 1999, among Buyer, Seller and Tenant. Buyer acknowledges that the materials relating to the Property to be furnished by Seller to Buyer contain confidential and proprietary information. Buyer agrees to keep all such information confidential and not to disclose any such information to any third party except to the extent necessary to carry out the responsibilities of Buyer pursuant to this section 1.2 or to obtain financing for the Property. If Buyer exercises the right to terminate this Agreement in accordance with this section 1.2, Buyer shall, within five (5) days after the termination date, return to Seller all materials relating to the Property theretofore furnished by Seller and all copies thereof.

(c) Buyer shall indemnify and defend Seller against and hold Seller harmless from all claims, demands, liabilities, losses, damages, costs and expenses, including reasonable attorneys' fees and disbursements, arising from any entry on the Property by Buyer or any of Buyer's representatives. The foregoing indemnification covenant shall survive any termination of this Agreement. Buyer shall, promptly after completion thereof, provide Seller with copies of all studies, tests, reports and other documents or materials relating to the Property that are prepared, conducted or made by, for or on behalf of Buyer.

(d) Buyer acknowledges receipt of a Preliminary Title Report respecting the Property dated August 26, 1999 (the "Preliminary Report") issued by First American Title Company (the "Title Company"), together with copies of all exception documents referred to therein. Buyer shall have the right to object in writing, delivered to Seller no later than the date fifteen (15) days after the date of this Agreement, to any exception listed in the Preliminary Report (a "Challenged Exception"). Any such exception which Buyer does not so object to shall be a Permitted Exception deemed approved by Buyer. Seller shall have the right, but no obligation, by notice to Buyer delivered within ten (10) days after Buyer's objection notice, to agree to cause any Challenged Exception to be removed from title or insured over by the Title Company. Except as Buyer and Seller may otherwise agreed in writing, by failing to terminate this Agreement in accordance with section 1.2(a), Buyer shall be deemed to have approved any Challenged Exception as to which Seller does not so agree to cause the removal or insurance over, and such Challenged Exceptions shall be Permitted Exceptions. Buyer shall accept title to the Property subject to the following (collectively, the "Permitted Exceptions"): (a) the items listed as exceptions in the Preliminary Report which Buyer approves or is deemed hereunder to have approved, (b) any matter which would be disclosed by a current ALTA/ACSM survey or a physical inspection of the Property and (c) any other matters created, permitted or approved (or deemed approved) by Buyer. If on or prior to the Closing Date, Buyer discovers the existence of any exception to title which is not a Permitted Exception and which is not disclosed by the Preliminary Report (a "New Exception"), Buyer may, by giving notice to Seller within three (3) business days of such discovery, object to any such New Exception. Buyer shall be deemed to have approved any such New Exception unless Buyer objects to any title exception in accordance with this section 1.2(d). If Buyer makes any such objection, Seller may, by giving notice to Buyer within three (3) business days after receipt of such objection, elect either to remove such New Exception or not to remove such New

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Exception. Seller shall be deemed to have elected not to remove any such New Exception unless Seller elects to remove any such New Exception in accordance with this section 1.2. If Seller elects not to remove any New Exception to which Buyer shall have timely objected, Buyer may terminate this Agreement by notice to Seller delivered within two (2) business days after expiration of such three (3) business day period. Any such New Exception to which Buyer does not object in accordance with this section 1.2 shall be deemed approved and deemed to be a Permitted Exception. Seller agrees, on or before the Closing Date, to do all things required by the Title Company to ensure the removal, or insurance over, of any exception to title relating to any mortgage, deed of trust or other voluntary monetary lien incurred by Seller.

1.3 Exchange by Seller. If requested by Seller, Buyer shall cooperate with Seller to effect an exchange of the Property that qualifies for nonrecognition treatment in accordance with section 1031 of the Internal Revenue Code of 1986, as amended. Seller shall be responsible for negotiating the terms of the acquisition of exchange property and for preparing and furnishing to Buyer the necessary agreements, escrow instructions and other documents related to the acquisition of exchange property. Buyer shall execute, acknowledge and deliver such agreements, escrow instructions and other documents and take such action as may be required in accordance with such agreements, escrow instructions and other documents to complete the acquisition and conveyance of the exchange property, as directed by Seller. Buyer shall not be required to assume any additional obligation or to incur any additional liability in connection with any acquisition of an exchange property that will survive conveyance of the exchange property to Seller. The exchange shall not delay the Closing Date.

1.4 Exchange by Buyer. If requested by Buyer, Seller shall cooperate with Buyer to effect a purchase of the Property through an exchange that qualifies for nonrecognition treatment in accordance with section 1031 of the Internal Revenue Code of 1986, as amended. Buyer shall be responsible for negotiating the terms of the disposition of exchange property and for preparing and furnishing to Seller the necessary agreements, escrow instructions and other documents related to the exchange. Seller shall execute, acknowledge and deliver such agreements, escrow instructions and other documents and take such action as may be required in accordance with such agreements, escrow instructions and other documents to complete the acquisition and conveyance of the exchange property, as directed by Buyer. Seller shall not be required to acquire title to any other property, nor to assume any additional obligation or to incur any additional liability in connection with any exchange that will survive conveyance of the Property to Seller. The exchange shall not delay the Closing Date.

ARTICLE 2

Purchase Price

2.1 Amount and Payment. The total purchase price for the Property shall be thirteen million four hundred thousand dollars (\$13,400,000). At the Closing (as hereinafter defined) on the Closing Date (as hereinafter defined), Buyer shall pay the total purchase price for the Property to Seller in cash in immediately available funds.

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2.2 Deposit. Not later than the date five (5) days after the date of this Agreement, Buyer shall deposit the sum of six hundred seventy thousand dollars (\$670,000) (the "Deposit") in cash in immediately available funds in escrow with the Title Company. The Deposit shall be held by the Title Company in an interest-bearing account designated in writing by Buyer and approved in writing by Seller. If Seller and Buyer complete the purchase and sale of the Property in accordance with this Agreement, the Deposit and all interest thereon shall be applied to payment of the total purchase price for the Property in accordance with section 2.1 hereof. If the purchase and sale of the Property is not so completed and this Agreement terminates for any reason other than as set forth in section 2.3, then the Deposit and all interest thereon shall be returned to Buyer upon such termination of this Agreement.

2.3 Liquidated Damages. SELLER AND BUYER AGREE THAT, IF THE PURCHASE AND SALE OF THE PROPERTY IS NOT COMPLETED IN ACCORDANCE WITH THIS AGREEMENT AND THIS AGREEMENT TERMINATES FOR ANY REASON OTHER THAN (A) TERMINATION BY BUYER PURSUANT TO SECTION 1.2(a) OR (B) THE FAILURE OF THE CONDITIONS DESCRIBED IN SECTION 7.2(a), (b) OR (c), THEN THE DEPOSIT AND ALL INTEREST THEREON SHALL BE PAID TO SELLER UPON TERMINATION OF THIS AGREEMENT AND RETAINED BY SELLER AS LIQUIDATED DAMAGES AND AS SELLER'S SOLE REMEDY AT LAW OR IN EQUITY. SELLER AND BUYER AGREE THAT, UNDER THE CIRCUMSTANCES EXISTING AS OF THE DATE OF THIS AGREEMENT, ACTUAL DAMAGES MAY BE DIFFICULT TO ASCERTAIN AND THE DEPOSIT AND ALL INTEREST THEREON IS A REASONABLE ESTIMATE OF THE DAMAGES THAT WILL BE INCURRED BY SELLER IF BUYER FAILS TO PURCHASE THE PROPERTY IN ACCORDANCE WITH THIS AGREEMENT.

SELLER'S INITIALS: [ILLEGIBLE INITIALS] BUYER'S INITIALS: [ILLEGIBLE INITIALS]

ARTICLE 3

Completion of Sale

3.1 Place and Date. The purchase and sale of the Property shall be completed in accordance with Article 8 hereof (the "Closing"). The Closing shall occur through escrow with the Title Company on March 1, 2000 (the "Closing Date"), or at such other place or on such other date as Seller and Buyer agree in writing. Prior to the Closing Date, Seller and Buyer each shall give appropriate written escrow instructions, consistent with this Agreement, to the Title Company for the Closing in accordance with this Agreement.

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ARTICLE 4

Title and Condition

4.1 Title to the Property. Seller shall convey to Buyer good and marketable fee title to the Property, by a duly executed and acknowledged Grant Deed (the "Grant Deed") in the form of Exhibit C attached hereto, free and clear of liens, encumbrances, leases, easements, restrictions, rights, covenants and conditions, except the Permitted Exceptions.

4.2 Acceptance of Title. Buyer's acceptance of the Grant Deed from Seller for the Property at the Closing on the Closing Date and the issuance of a title insurance policy to Buyer by the Title Company on the Closing Date shall conclusively establish that Seller conveyed the Property to Buyer as required by this Agreement and shall discharge in full Seller's obligations under section 4.1 hereof with respect to title to the Property.

4.3 Condition of the Property. Except for the express representations and warranties of Seller set forth in section 5.1 hereof, Buyer is acquiring the Property "as is," without any covenant, representation or warranty of any kind or nature whatsoever, express or implied, and Buyer is relying solely on Buyer's own investigation of the Property. In accordance with California Health and Safety Code section 25359.7, Seller has delivered to Buyer a copy of the report (the "Environmental Assessment") dated April 12, 1994, prepared by E2C, Inc., Job No. 6260100, containing certain environmental information about the Property. Buyer acknowledges receipt of the Environmental Assessment and confirms that Buyer has read the Environmental Assessment.

ARTICLE 5

Representations and Warranties

5.1 Seller. The representations and warranties of Seller in this section 5.1 and in Seller's Closing Certificate (as hereinafter defined) are a material inducement for Buyer to enter into this Agreement. Buyer would not purchase the Property from Seller without such representations and warranties of Seller. Such representations and warranties shall survive the Closing for only one hundred eighty (180) days after the Closing Date, at which time such representations and warranties shall terminate. Seller represents and warrants to Buyer as of the date of this Agreement as follows:

(a) Seller is a corporation duly incorporated and organized and validly existing and in good standing under the laws of the State of Maryland. Seller is duly qualified to do business and is in good standing in the State of California. Seller has full corporate power and authority to enter into this Agreement and to perform this Agreement. The execution, delivery and performance of this Agreement by Seller have been duly and validly authorized by all necessary action on the part of Seller and all required consents or approvals have been duly obtained. This Agreement is a legal, valid and binding obligation of Seller, enforceable against Seller in accordance with its terms, subject to the effect of applicable bankruptcy, insolvency,

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reorganization, arrangement, moratorium or other similar laws affecting the rights of creditors generally. There is no agreement to which Seller is a party or, to Seller's actual knowledge, which is binding on Seller, which is in conflict with this Agreement.

(b) The copy of the Lease delivered by Seller to Buyer is a complete and accurate copy, and there are no amendments thereto other than amendments of which Seller has provided Buyer with a complete and accurate copy. Except as disclosed to Seller in writing, to the current actual knowledge of Seller, Seller is not materially in default in the performance of any material covenant to be performed by the landlord under the Lease and the Tenant under the Lease has no material claims or offsets against Seller pursuant to the Lease.

(c) Seller is not a "foreign person" as defined in section 1445 of the Internal Revenue Code of 1986, as amended, and the Income Tax Regulations thereunder.

(d) Except for Cornish & Carey Commercial, Seller has not dealt with any real estate broker or finder in connection with the sale of the Property to Buyer or this Agreement.

(e) Seller has not (i) made a general assignment for the benefit of creditors; (ii) filed any voluntary petition in bankruptcy or suffered the filing of an involuntary petition by its creditors; (iii) suffered the appointment of a receiver to take possession of all or substantially all of its assets; (iv) suffered the attachment or other judicial seizure of all, or substantially all, of its assets; (v) admitted in writing its inability to pay its debts as they come due; or (vi) made an offer of settlement, extension or composition to its creditors generally.

(f) Seller has not received any written notice from any governmental authority with respect to, and Seller is not aware of, any eminent domain proceedings for the condemnation of the Property that are threatened or currently pending.

5.2 Buyer. The representations and warranties of Buyer in this section 5.2 and in Buyer's Closing Certificate (as hereinafter defined) are a material inducement for Seller to enter into this Agreement. Seller would not sell the Property to Buyer without such representations and warranties of Buyer. Such representations and warranties shall survive the Closing for only one hundred eight (180) days after the Closing Date, at which time such representations and warranties shall terminate. Buyer represents and warrants to Seller as of the date of this Agreement as follows:

(a) Buyer is a corporation duly incorporated and organized and validly existing and in good standing under the laws of the State of California. Buyer has full corporate power and authority to enter into this Agreement and to perform this Agreement. The execution, delivery and performance of this Agreement by Buyer have been duly and validly authorized by all necessary action on the part of Buyer and all required consents or approvals have been duly obtained. This Agreement is a legal, valid and binding obligation of Buyer, enforceable against Buyer in accordance with its terms, subject to the effect of applicable bankruptcy, insolvency, reorganization, arrangement, moratorium or other similar laws affecting the rights of creditors generally. There is no agreement to which Buyer is a party or, to Buyer's actual knowledge, which is binding on Buyer, which is in conflict with this Agreement.

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(b) Except for Cornish & Carey Commercial, Buyer has not dealt with any real estate broker or finder in connection with the purchase of the Property from Seller or this Agreement.

(c) Buyer has not (i) made a general assignment for the benefit of creditors; (ii) filed any voluntary petition in bankruptcy or suffered the filing of an involuntary petition by its creditors; (iii) suffered the appointment of a receiver to take possession of all or substantially all of its assets; (iv) suffered the attachment or other judicial seizure of all, or substantially all, of its assets; (v) admitted in writing its inability to pay its debts as they come due; or (vi) made an offer of settlement, extension or composition to its creditors generally.

ARTICLE 6

Covenants

6.1 Seller. Seller covenants and agrees with Buyer as follows:

(a) Seller shall use reasonable efforts, in good faith and with diligence, to cause all of the representations and warranties made by Seller in section 5.1 hereof to be true and correct on and as of the Closing Date. At the Closing on the Closing Date, Seller shall execute and deliver to Buyer a Seller's Closing Certificate ("Seller's Closing Certificate") in the form of Exhibit D attached hereto, certifying to Buyer that all such representations and warranties are true and correct on and as of the Closing Date, with only such exceptions therein as are necessary to reflect facts or circumstances arising between the date of this Agreement and the Closing Date which would make any such representation or warranty untrue or incorrect on and as of the Closing Date.

(b) Seller shall indemnify and defend Buyer against and hold Buyer harmless from all claims, demands, liabilities, losses, damages, costs and expenses, including reasonable attorneys' fees and disbursements, that may be suffered or incurred by Buyer if any representation or warranty made by Seller in section 5.1 hereof or in Seller's Closing Certificate was untrue or incorrect in any respect when made or that may be caused by any breach by Seller of any such representation or warranty.

(c) Between the date of this Agreement and the Closing Date or earlier termination of this Agreement, Seller shall (i) not enter into any new lease of the Property or any part thereof, and shall give Buyer notice of any amendment of the Lease, (ii) not enter into any service agreements or other third party agreements that will survive the Closing and be binding on Buyer, except for ordinary service agreement on customary terms which shall be terminable on not more than thirty (30) days' notice without penalty; and (iii) maintain or cause to be maintained in effect property and liability insurance on the Property to the extent required to be maintained by Seller in accordance with the Lease.

(d) Between the date of this Agreement and the Closing Date or earlier termination of this Agreement, Seller shall, at Buyer's sole cost, provide reasonable cooperation to Buyer in connection with Buyer's efforts to obtain governmental, quasi-governmental and third-party

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approvals, as Buyer may deem appropriate to enable Buyer after the Closing to develop the Property, construct improvements thereon and operate its business from the Property ("Buyer's Development Efforts"); provided that, (i) Seller shall not become liable to any governmental entity or other third party in any respect by reason of Buyer's Development Efforts or Seller's cooperation therewith and Buyer shall indemnify, defend and hold Seller harmless from and against any such liability, (ii) if the Closing does not occur for any reason, Buyer shall, on Seller's request, take all steps necessary to reverse the effects of any of Buyer's Development Efforts, including withdrawing any applications and canceling any permits or approvals, and (iii) Buyer shall, promptly upon demand, reimburse Seller for any costs or expenses incurred by

Seller in connection with or relating to Buyer's Development Efforts or Seller's cooperation therewith, including any attorneys' or consultants' fees. Notwithstanding the foregoing, Buyer shall not take any action with respect to the Property or in furtherance of Buyer's Development Efforts if, in Seller's reasonable judgment, such action could reasonably be expected to have a detrimental effect on the value or utility of the Property.

6.2 Buyer. Buyer covenants and agrees with Seller as follows:

(a) Buyer shall use reasonable efforts, in good faith and with diligence, to cause all of the representations and warranties made by Buyer in section 5.2 hereof to be true and correct on and as of the Closing Date. At the Closing on the Closing Date, Buyer shall execute and deliver to Seller a Buyer's Closing Certificate ("Buyer's Closing Certificate") in the form of Exhibit E attached hereto, certifying to Seller that all such representations and warranties are true and correct on and as of the Closing Date, with only such exceptions therein as are necessary to reflect facts or circumstances arising between the date of this Agreement and the Closing Date which would make any such representation or warranty untrue or incorrect on and as of the Closing Date.

(b) Buyer shall indemnify and defend Seller against and hold Seller harmless from all claims, demands, liabilities, losses, damages, costs and expenses, including reasonable attorneys' fees and disbursements, that may be suffered or incurred by Seller if any representation or warranty made by Buyer in section 5.2 hereof or in Buyer's Closing Certificate was untrue or incorrect in any respect when made or that may be caused by any breach by Buyer of any such representation or warranty.

(c) Buyer shall be responsible for the payment of any commission, fee or other compensation payable to Cornish & Carey Commercial in connection with this Agreement or the Property, and Buyer shall indemnify, defend and hold Seller harmless from and against any claim or liability for any commission, fee or other compensation payable in connection with this Agreement or the Property unless such claim or liability arises from an express agreement made by Seller.

6.3 Casualty Damage. If, before the Closing Date, the improvements on the Property 6.3 are damaged by any casualty whether or not insured and the cost to restore such improvements, as reasonably determined by Seller and Buyer, is more than one million dollars (\$1,000,000), Buyer shall have the right, by giving notice to Seller within thirty (30) days after Seller gives notice of the occurrence of such casualty to Buyer, to terminate this Agreement, in which event this Agreement shall terminate. If, before the Closing Date, the improvements on

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the Property are damaged by any casualty and the cost to restore such improvements, as reasonably determined by Seller and Buyer, is one million dollars (\$1,000,000) or less, or Buyer has the right to terminate this Agreement pursuant to the preceding sentence but Buyer does not exercise such right, then this Agreement shall remain in full force and effect and, on the Closing Date, any insurance proceeds (or, if not theretofore received, the right to receive such proceeds) payable on account of the damage shall be transferred to Buyer. In no event shall Seller be obligated to provide any credit or price reduction on account of any casualty. Seller shall give notice to Buyer reasonably promptly after the occurrence of any damage to the improvements on the Property by any casualty. If necessary, the Closing Date shall be postponed until Seller has given any notice to Buyer required by this section 6.3 and the period of thirty (30) days described in this section 6.3 has expired, and the restoration cost has been determined by Seller and Buyer. In the event of any casualty damage, Seller shall use commercially reasonable efforts to enforce Tenant's obligations under the Lease respecting repair and restoration.

6.4 Eminent Domain. If, before the Closing Date, proceedings are commenced for the taking by exercise of the power of eminent domain of all or a material part of the Property which, as reasonably determined by Buyer, would render the Property unsuitable for Buyer's intended use, Buyer shall have the right, by giving notice to Seller within thirty (30) days after Seller gives notice of the commencement of such proceedings to Buyer, to terminate this Agreement, in which event this Agreement shall terminate. If, before the Closing

Date, proceedings are commenced for the taking by exercise of the power of eminent domain of less than such a material part of the Property, or if Buyer has the right to terminate this Agreement pursuant to the preceding sentence but Buyer does not exercise such right, then this Agreement shall remain in full force and effect and, on the Closing Date, the condemnation award (or, if not theretofore received, the right to receive such award) payable on account of the taking shall be transferred to Buyer. Seller shall give notice to Buyer reasonably promptly after Seller's receiving notice of the commencement of any proceedings for the taking by exercise of the power of eminent domain of all or any part of the Property. If necessary, the Closing Date shall be postponed until Seller has given any notice to Buyer required by this section 6.4 and the period of thirty (30) days described in this section 6.4 has expired.

ARTICLE 7

Conditions Precedent

7.1 Seller. The obligations of Seller under this Agreement are subject to satisfaction of all of the conditions set forth in this section 7.1. Seller may waive any or all of such conditions in whole or in part but any such waiver shall be effective only if made in writing. After the Closing, any such condition that has not been satisfied shall be treated as having been waived in writing. No such waiver shall constitute a waiver by Seller of any of its rights or remedies if Buyer defaults in the performance of any covenant or agreement to be performed by Buyer under this Agreement or if Buyer breaches any representation or warranty made by Buyer in section 5.2 hereof or in Buyer's Closing Certificate. If any condition set forth in this section 7.1 is not fully satisfied or waived in writing by Seller, this Agreement shall terminate,

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but without releasing Buyer from liability if Buyer defaults in the performance of any such covenant or agreement to be performed by Buyer or if Buyer breaches any such representation or warranty made by Buyer before such termination.

(a) On the Closing Date, Buyer shall not be materially in default in the performance of any material covenant to be performed by Buyer under this Agreement.

(b) On the Closing Date, all representations and warranties made by Buyer in section 5.2 hereof shall be true and correct in all material respects as if made on and as of the Closing Date and Seller shall have received Buyer's Closing Certificate, executed by Buyer, in which Buyer certifies to Seller that all representations and warranties made by Buyer in section 5.2 hereof are true and correct on and as of the Closing Date, without material adverse exceptions.

(c) On the Closing Date, Tenant and Buyer shall have executed and delivered to Seller a General Release in the form of Exhibit H attached hereto (the "General Release").

7.2 Buyer. The obligations of Buyer under this Agreement are subject to satisfaction of all of the conditions set forth in this section 7.2. Buyer may waive any or all of such conditions in whole or in part but any such waiver shall be effective only if made in writing. After the Closing, any such condition that has not been satisfied shall be treated as having been waived in writing. No such waiver shall constitute a waiver by Buyer of any of its rights or remedies if Seller defaults in the performance of any covenant or agreement to be performed by Seller under this Agreement or if Seller breaches any representation or warranty made by Seller in section 5.1 hereof or in Seller's Closing Certificate. If any condition set forth in this section 7.2 is not fully satisfied or waived in writing by Buyer, this Agreement shall terminate, but without releasing Seller from liability if Seller defaults in the performance of any such covenant or agreement to be performed by Seller or if Seller breaches any such representation or warranty made by Seller before such termination.

(a) On the Closing Date, Seller shall not be materially in default in the performance of any material covenant to be performed by Seller under this Agreement.

(b) On the Closing Date, all representations and warranties made by Seller in section 5.1 hereof shall be true and correct in all material respects as if made on and as of the Closing Date and Buyer shall have received Seller's Closing Certificate, executed by Seller, in which Seller certifies to Buyer that all representations and warranties made by Seller in section 5.1 hereof are true and correct on and as of the Closing Date, without material adverse exceptions.

(c) On the Closing Date, the Title Company shall be prepared to issue to Buyer a California Land Title Association or ALTA Extended Coverage Policy of title insurance, with liability equal to the total purchase price for the Property, insuring Buyer that fee title to the Property is vested in Buyer subject only to the Permitted Exceptions.

(d) Tenant shall have agreed in writing to assign its interest in the Lease to Buyer, which assignment shall be consummated and effective immediately upon the Closing.

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ARTICLE 8

Closing

8.1 Procedure. Seller and Buyer shall cause the following to occur at the Closing on the Closing Date:

(a) The Grant Deed for the Property, duly executed and acknowledged by Seller, shall be recorded in the Official Records of the county in which the Property is located.

(b) Seller shall date as of the Closing Date, execute and deliver to Buyer (i) Seller's Closing Certificate, (ii) an Assignment of Leases (the "Assignment of Leases") in the form of Exhibit F attached hereto, and (iii) a Certificate of Nonforeign Status in the form of Exhibit G attached hereto.

(c) Buyer shall date as of the Closing Date, execute and deliver to Seller (i) Buyer's Closing Certificate and (ii) the Assignment of Leases.

(d) Buyer shall pay to Seller the total purchase price for the Property in cash in immediately available funds in accordance with section 2.1 hereof.

(e) The Title Company shall issue to Buyer the title insurance policy described in section 7.2(c) hereof.

(f) Tenant and Buyer shall date as of the Closing Date, execute and deliver to Seller the General Release.

8.2 Possession. Subject to the Lease, Seller shall transfer possession of the Property to Buyer on the Closing Date. Seller shall, on the Closing Date, deliver to Buyer the Leases and any plans and specifications, permits, certificates, licenses and approvals relating to the Property in the possession of Seller, which shall become the property of Buyer on the Closing Date.

8.3 Closing Costs. Seller shall pay the County documentary transfer tax in respect of the Grant Deed, the premium for a CLTA title policy described in section 7.2(c) hereof, and the escrow fee charged by the Title Company. Buyer shall pay the premium for the title insurance policy obtained by Buyer to the extent in excess of a standard premium for a CLTA policy, and any charges for endorsements, and the recording fee for the Grant Deed. All other closing costs shall be paid according to the custom in Santa Clara County.

8.4 Prorations. At the Closing on the Closing Date, the current rent under the Leases, the current installment of real property taxes and assessments levied against the Property, current utilities, and other current operating and maintenance expenses of the Property (net of any payments paid or payable by Tenant for taxes, assessments, utilities and expenses) shall be prorated between Seller and Buyer as of the Closing Date on the basis of a thirty-day month. Any security deposits held by Seller under the Leases on the Closing Date shall be credited to Buyer and charged to Seller at the Closing.

ARTICLE 9

General

9.1 Notices. All notices and other communications under this Agreement shall be properly given only if made in writing and mailed by certified mail, return receipt requested, postage prepaid, or delivered by hand (including messenger or recognized delivery, courier or air express service) to the party at the address set forth in this section 9.1 or such other address as such party may designate by notice to the other party. Such notices and other communications shall be effective on the date of receipt (evidenced by the certified mail receipt) if mailed or on the date of such hand delivery (or upon refusal to accept such delivery) if hand delivered. If any such notice or other communication is not received or cannot be delivered due to a change in the address of the receiving party of which notice was not previously given to the sending party or due to a refusal to accept by the receiving party, such notice or other communication shall be effective on the date delivery is attempted. Any notice or other communication under this Agreement may be given on behalf of a party by the attorney for such party.

(a) The address of Seller is:

TriNet Corporate Realty Trust, Inc.
 One Embarcadero Center, Suite 3300
 San Francisco, CA 94111
 Attention: Mr. James Pierre

with a copy to:

TriNet Corporate Realty Trust, Inc.
 One Embarcadero Center, Suite 3300
 San Francisco, CA 94111
 Attention: Geoffrey M. Dugan, Esq.

and with a further copy to:

Pillsbury Madison & Sutro LLP
 235 Montgomery Street, 14th Floor
 San Francisco, CA 94104
 Attention: Glenn Q. Snyder, Esq.

(b) The address of Buyer is:

Network Appliance, Inc.
 495 East Java Drive
 Sunnyvale, CA 94089
 Attention: Mr. Thom Bryant

with a copy to:

Brobeck, Phleger & Harrison LLP
 Spear Street Tower
 One Market Plaza
 San Francisco, CA 94105
 Attention: Douglas Van Gessel, Esq.

9.2 Attorneys' Fees. If there is any legal action or proceeding between Seller and Buyer arising from or based on this Agreement, the unsuccessful party to such action or proceeding shall pay to the prevailing party all costs and expenses, including reasonable attorneys' fees, incurred by such prevailing party in such action or proceeding and in any appeal in connection therewith. If such prevailing party recovers a judgment in any such action, proceeding or appeal, such costs, expenses and attorneys' fees shall be included in and as a

part of such judgment.

9.3 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

9.4 Construction. Seller and Buyer acknowledge that each party and its counsel have reviewed and revised this Agreement and that the rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement or any document executed and delivered by either party in connection with the transactions contemplated by this Agreement. The captions in this Agreement are for convenience of reference only and shall not be used to interpret this Agreement.

9.5 Terms Generally. The defined terms in this Agreement shall apply equally to both the singular and the plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The term "person" includes individuals, corporations, partnerships, trusts, other legal entities, organizations and associations, and any government or governmental agency or authority. The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation." The words "approval," "consent" and "notice" shall be deemed to be preceded by the word "written."

9.6 Further Assurances. From and after the date of this Agreement, Seller and Buyer agree to do such things, perform such acts, and make, execute, acknowledge and deliver such documents as may be reasonably necessary or proper and usual to complete the transactions contemplated by this Agreement and to carry out the purpose of this Agreement in accordance with this Agreement.

9.7 Partial Invalidity. If any provision of this Agreement is determined by a proper court to be invalid, illegal or unenforceable, such invalidity, illegality or unenforceability shall not affect the other provisions of this Agreement and this Agreement shall remain in full force and effect without such invalid, illegal or unenforceable provision.

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9.8 Waivers. No waiver of any provision of this Agreement or any breach of this Agreement shall be effective unless such waiver is in writing and signed by the waiving party and any such waiver shall not be deemed a waiver of any other provision of this Agreement or any other or subsequent breach of this Agreement.

9.9 Confidentiality. Except for such disclosure as may be required by law or agreed to by the parties hereto in writing, Seller and Buyer agree that, prior to the Closing, they shall keep in confidence this Agreement and each and every term and provision hereof, including, without limitation, the Purchase Price; provided, however, that Buyer and Seller may disclose this Agreement to their employees, accountants, attorneys and lenders as necessary to fulfill the terms hereof.

9.10 No Third-Party Beneficiaries. Nothing in this Agreement shall be construed as conferring upon Tenant or any other third party any rights hereunder. Buyer and Seller do not intend that this Agreement have any third-party beneficiaries.

9.11 Miscellaneous. The Exhibits attached to this Agreement are made a part of this Agreement. Buyer shall not assign or transfer this Agreement, or any interest in or part of this Agreement, without the prior consent of Seller, except that Buyer may assign this Agreement, without Seller's prior written consent, as necessary to facilitate a synthetic lease transaction or an exchange pursuant to section 1031 of the Internal Revenue Code. No such assignment or transfer shall release Buyer from any obligation or liability under this Agreement. Subject to the foregoing, this Agreement shall benefit and bind Seller and Buyer and their respective personal representatives, heirs, successors and assigns. Time is of the essence of this Agreement. This Agreement may be executed in counterparts, each of which shall be an original, but all of which shall constitute one and the same Agreement. This Agreement may not be amended or modified except by a written agreement signed by Seller and Buyer. This Agreement constitutes the entire and integrated agreement between Seller

and Buyer relating to the purchase and sale of the Property and supersedes all prior agreements, understandings, offers and negotiations, oral or written, with respect to the sale of the Property.

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IN WITNESS WHEREOF, Seller and Buyer have executed this Agreement as of the date first hereinabove written.

SELLER: TRINET ESSENTIAL FACILITIES XII, INC., a Maryland corporation
By /s/ [SIGNATURE ILLEGIBLE]

Its VICE PRESIDENT

BUYER: NETWORK APPLIANCE, INC., a California corporation
By /s/ [SIGNATURE ILLEGIBLE]

Its CHIEF FINANCIAL OFFICER

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LEGAL DESCRIPTION

EXHIBIT A

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ITEMS DELIVERED BY SELLER

- 1. Copies of all recorded exception documents listed in Preliminary Report.
- 2. Copy of the Lease, including all amendments and ancillary agreements.
- 3. Copies of soils, geologic and environmental reports.*
- 4. Plans and specifications and structural reports.*
- 5. Copies of certificates of occupancy and governmental permits.*

* To the extent in Seller's possession or available to Seller at no material expense.

EXHIBIT B

Recorded at Request of:

When Recorded Mail to:

Mail Tax Statements to:

GRANT DEED

For valuable consideration, receipt of which is acknowledged, TRINET ESSENTIAL FACILITIES XII, INC., a Maryland corporation, hereby grants to NETWORK APPLIANCE, INC., a California corporation, the real property in the City of Sunnyvale, County of Santa Clara, State of California, described in Exhibit A attached hereto and made a part hereof, subject to the matters described in Exhibit B attached hereto and made a part hereof.

Dated: _____, 2000.

TRINET ESSENTIAL FACILITIES XII, INC.,
a Maryland corporation

By _____

Its _____

EXHIBIT C

EXHIBIT A

GRANT DEED

All of the real property in the City of Sunnyvale, County of Santa Clara, State of California, described as follows:

EXHIBIT C

EXHIBIT B

GRANT DEED

Permitted Exceptions

EXHIBIT C

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STATE OF CALIFORNIA,)
County of _____) ss.

On _____, 2000, before me, _____, a Notary Public in and for the State of California, personally appeared _____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument, and acknowledged to me that he or she executed the within instrument in his or her authorized capacity and that, by his or her signature on the within instrument, the person or entity upon behalf of which he or she acted executed the within instrument.

WITNESS my hand and official seal.

Signature _____ (Seal)

EXHIBIT C

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SELLER'S CLOSING CERTIFICATE

For valuable consideration, receipt of which is acknowledged, TRINET ESSENTIAL FACILITIES XII, INC., a Maryland corporation ("Seller"), hereby certifies to NETWORK APPLIANCE, INC., a California corporation ("Buyer"), that all representations and warranties made by Seller in section 5.1 of the Purchase Agreement (the "Purchase Agreement") dated _____, 1999, between Seller and Buyer are true and correct on and as of the date of this Certificate. This Certificate is executed by Seller and delivered to Buyer pursuant to the Purchase Agreement.

Dated: _____, 2000.

TRINET ESSENTIAL FACILITIES XII, INC., a Maryland corporation

By _____
Its _____

EXHIBIT D

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BUYER'S CLOSING CERTIFICATE

For valuable consideration, receipt of which is acknowledged, NETWORK APPLIANCE, INC., a California corporation ("Buyer"), hereby certifies to TRINET ESSENTIAL FACILITIES XII, INC., a Maryland corporation ("Seller"), that all representations and warranties made by Buyer in section 5.2 of the Purchase

Agreement (the "Purchase Agreement") dated _____, 1999, between Seller and Buyer are true and correct on and as of the date of this Certificate. This Certificate is executed by Buyer and delivered to Seller pursuant to the Purchase Agreement.

Dated: _____, 2000.

NETWORK APPLIANCE, INC.,
a California corporation

By _____
Its _____

EXHIBIT E

ASSIGNMENT OF LEASES

THIS ASSIGNMENT, made as of _____, 2000, by and between TRINET ESSENTIAL FACILITIES XII, INC., a Maryland corporation ("Seller"), and NETWORK APPLIANCE, INC., a California corporation ("Buyer"),

W I T N E S S E T H:

For valuable consideration, receipt of which is acknowledged, Seller and Buyer agree as follows:

1. Assignment and Assumption.

(a) Seller hereby assigns and transfers to Buyer all right, title and interest of Seller in and to the Lease (the "Lease") described in Exhibit A attached hereto and made a part hereof.

(b) Buyer hereby accepts the foregoing assignment, and assumes and agrees to perform all of the covenants and agreements in the Lease to be performed by the landlord thereunder from and after the date of this Assignment.

2. Indemnification.

(a) Seller shall indemnify and defend Buyer against and hold Buyer harmless from all claims, demands, liabilities, losses, damages, costs and expenses, including, without limitation, reasonable attorneys' fees and disbursements, that are caused by any failure by Seller to perform the obligations of the landlord under the Lease before the date of this Assignment.

(b) Buyer shall indemnify and defend Seller against and hold Seller harmless from all claims, demands, liabilities, losses, damages, costs and expenses, including, without limitation, reasonable attorneys' fees and disbursements, that are caused by any failure by Buyer to perform the obligations of the landlord under the Lease on or after the date of this Assignment.

3. Further Assurances. Seller and Buyer agree to execute such other documents and perform such other acts as may be reasonably necessary or proper and usual to effect this Assignment.

4. Governing Law. This Assignment shall be governed by and construed in accordance with the laws of the State of California.

EXHIBIT F

5. Successors and Assigns. This Assignment shall be binding upon and shall inure to the benefit of Seller and Buyer and their respective personal representatives, heirs, successors and assigns.

IN WITNESS WHEREOF, Seller and Buyer have executed this Assignment as of the date first hereinabove written.

TRINET ESSENTIAL FACILITIES XI, INC.,
a Maryland corporation

By _____
Its _____

NETWORK APPLIANCE, INC., a
California corporation

By _____
Its _____

EXHIBIT A

ASSIGNMENT OF LEASES

Description of Lease

EXHIBIT F

CERTIFICATE OF NONFOREIGN STATUS

Section 1445 of the Internal Revenue Code provides that a transferee of a U.S. real property interest must withhold tax if the transferor is a foreign person. To inform the transferee that withholding of tax is not required upon the disposition of a U.S. real property interest by TRINET ESSENTIAL FACILITIES XII, INC., a Maryland corporation ("Seller"), the undersigned hereby certifies the following on behalf of Seller:

- 1. Seller is not a foreign corporation, foreign partnership, foreign trust or foreign estate (as those terms are defined in the Internal Revenue Code and Income Tax Regulations);
- 2. Seller's U.S. employer identification number is _____;
and
- 3. Seller's office address is One Embarcadero Center, Suite 3300, San Francisco, CA 94111.

Seller understands that this certification may be disclosed to the Internal Revenue Service by the transferee and that any false statement contained herein could be punished by fine, imprisonment, or both.

Under penalties of perjury I declare that I have examined this certificate and to the best of my knowledge and belief it is true, correct and complete, and I further declare that I have authority to sign this document on behalf of Seller.

Dated: _____, 2000.

TRINET ESSENTIAL FACILITIES XII, INC.,
a Maryland corporation

By _____
Its _____

EXHIBIT H

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GENERAL RELEASE

THIS GENERAL RELEASE ("Agreement") is made and entered into as of _____, 2000 by and among LOCKHEED MARTIN CORPORATION, a Maryland corporation ("Lockheed"), NETWORK APPLIANCE, INC., a California corporation ("Network"; Lockheed and Network are referred to herein, collectively, as "Releasers") and TRINET ESSENTIAL FACILITIES XII, INC., a Maryland corporation ("TriNet").

Recitals

A. TriNet is the landlord and Lockheed is the tenant under a lease dated May 5, 1978 (as amended, the "Lease") between TriNet's predecessor in title, The Prudential Insurance Company of America, and Lockheed's predecessor-in-title, Ford Aerospace and Communications Corporation, respecting property known as 1260 Crossman Avenue, Sunnyvale, California (the "Property"). Lockheed and Network have entered into an Agreement of Assignment of Lease, dated as of September 3, 1999 (as the same may be amended, modified, supplemented or restated from time to time, the "Assignment Agreement"), pursuant to which Lockheed is assigning the Lease to Network. TriNet has consented to the Assignment Agreement.

B. As of the date hereof, TriNet is selling the Property to _____, pursuant to a Purchase Agreement dated as of September __, 1999 (the "Purchase Agreement") between TriNet and Network.

C. Lockheed and Network have each agreed to release TriNet from any claims or liabilities relating to the Lease or the Property, as set forth in detail hereinbelow.

N o w, T h e r e f o r e, in light of the foregoing recitals and for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Lockheed and Network agree as follows:

1. (a) Lockheed and Network each hereby releases and forever discharges TriNet and its constituent owners, and TriNet's and such constituent owners' officers, directors, agents, employees, attorneys, successors and assigns and each of them separately and collectively (hereinafter referred to separately and collectively as the "Releasees") from any and all claims, liens, demands, causes of action, obligations, damages and liabilities, known or unknown, that any Releaser ever had, now has or may hereafter claim to have against any of the Releasees arising directly or indirectly out of, or in any way connected with or based upon, or related in any way to, the Lease or the Property (the foregoing matters from which the Releasees are released are referred to herein as the "Claims"). Notwithstanding the foregoing, Network neither releases nor discharges TriNet from, and the Claims shall not include, any claims, liens, demands, causes of action, obligations, damages and liabilities (i) arising under or in connection with the Purchase Agreement, or (ii) arising from TriNet's willful misconduct.

EXHIBIT H

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(b) The foregoing release extends to unknown claims and each Releaser expressly waives all rights under section 1542 of the Civil Code of California which provides:

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

2. In the event of any breach of this Agreement, the party aggrieved shall be entitled to recover from the breaching party, not only the amount of any judgment which may be awarded against said breaching party, but also all such other damages, cost and expenses as may be incurred by said aggrieved party, including court costs and attorneys' fees, in connection therewith.

3. Each Releasor acknowledges that nothing in this Agreement constitutes an admission or concession by any of the Releasees of any liability of any kind to the Releasors, liability for which is expressly denied by the Releasees.

4. This Agreement shall bind and shall inure to the benefit of the respective heirs, executors, administrators, successors and assigns of the parties hereto.

This Agreement is executed as of the date first above written.

LOCKHEED MARTIN CORPORATION
a Maryland corporation

By _____
Its _____

NETWORK APPLIANCE, INC., a
California corporation

By _____
Its _____

EXHIBIT H

AGREEMENT OF ASSIGNMENT OF LEASE

DEFINED TERMS

EFFECTIVE DATE: September 3, 1999

ASSIGNEE: NETWORK APPLIANCE, INC.,
a California corporation

ASSIGNEE'S ADDRESS: 495 Java Drive
Sunnyvale, California 94089
Attention: Mr. Thom Bryant
Telephone: (408) 822-6175
Facsimile: (408) 822-4411

ASSIGNOR: LOCKHEED MARTIN CORPORATION,
a Maryland corporation

ASSIGNOR'S ADDRESS: c/o LMC Properties, Inc.
100 S. Charles Street, Suite 1400
Baltimore, Maryland 21201
Attn: Ms. Terri E. Beattie
Telephone: (410) 468-1009
Facsimile: (410) 468-1078

LEASEHOLD INTEREST AND OTHER PROPERTY: See Section 1.1.

ASSIGNMENT FEE: Ten Million Dollars (\$10,000,000)

DEPOSIT: Two Million Dollars (\$2,000,000)

DUE DILIGENCE PERIOD: See Section 4.1.1.

TITLE COMPANY and ESCROW HOLDER: First American Title Guaranty Company
1737 North First Street
San Jose, California 95112

CLOSING DATE: See Section 5.

CLOSING COST ALLOCATIONS:

- ASSIGNEE:	ESCROW FEES	50%
	RECORDING FEES	100%

i.

- ASSIGNOR:	ESCROW FEES	50%
	RECORDING FEES	0%

BROKER: None

ii.

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- Exhibits:
- A - Consent and Estoppel Certificate
 - B - Assignment of Lease
 - C - Bill of Sale
 - D - Assignment of Intangible Property
 - E - Closing Certificate
 - F - Access Agreement

AGREEMENT OF ASSIGNMENT OF LEASE

THIS AGREEMENT OF ASSIGNMENT OF LEASE, dated as of September 3, 1999 (the "Effective Date"), is entered between Lockheed Martin Corporation, a Maryland corporation, successor-in-interest to Ford Aerospace & Communications Corporation ("Assignor") and Network Appliance, Inc., a California corporation ("Assignee"), who, for valuable consideration received, agree as follows:

1. ASSIGNMENT OF LEASEHOLD INTEREST AND OTHER PROPERTY. Assignor agrees to sell to Assignee, and Assignee agrees to purchase from Assignor, on the terms hereafter stated all of Assignor's right, title and interest in the following described property (collectively, the "Property"):

1.1 Lease. All of Assignor's right, title and interest, as tenant (the "Leasehold Interest"), in that certain Lease (the "Lease") dated May 5, 1978, as amended by Lease Amendment One dated May 5, 1978, Lease Amendment Two dated June 6, 1988, Lease Amendment Three dated September 24, 1993 and all other amendments thereto, and entered into between TriNet Essential Facilities XII, Inc., a Maryland corporation ("Landlord"), as successor-in-interest to The Prudential Insurance Company of America, and Assignor, as successor-in-interest to Ford Aerospace & Communications Corporation, pursuant to which Landlord leases to Assignor all of that certain real property (the "Real Property") located at 1260 Crossman Avenue in Sunnyvale, California and more particularly described in the Lease; and

1.2 Intangible Property. Any and all intangible personal property owned by Assignor and arising out of or in connection with the ownership of the Leasehold Interest or operation of the Property, including the right to use the permits and certificates of occupancy issued by Federal, state or local municipal authorities relating to the use, maintenance, occupancy or operation of the Property, all plans, specifications and drawings relating to the construction of the improvements, all warranties, guaranties or sureties with respect thereto, any unpaid award for damage to the Property and any proceeds of insurance or claim or cause of action for damage, loss or injury of or to the Property and all service, equipment, maintenance, construction and employment agreements (collectively the "Service Contracts") with respect to the Real Property and entered into by Assignor (collectively, the "Intangible Property").

2. ASSIGNMENT FEE. Subject to the closing adjustments and prorations hereafter described, Assignee shall pay to Assignor the amount of Ten Million Dollars (\$10,000,000) (the "Assignment Fee") for the Property, in the following manner:

2.1 Assignment Fee Deposit. Within two (2) business days after Assignee's and Assignor's execution of this Agreement, Assignee shall deposit with First American Title Guaranty Company ("Escrow Holder") cash in an amount equal to Two Million Dollars (\$2,000,000) (the "Deposit"). Escrow Holder shall place such funds in an interest-bearing account. (The Deposit and all interest earned thereon shall hereinafter collectively be referred to as the "Assignment Fee Deposit.") Upon expiration of the Due Diligence Period (defined below), the Assignment Fee Deposit shall become nonrefundable but

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shall remain with Escrow Holder until the earlier of: (i) Close of Escrow; (ii) the release to Assignor of such Assignment Fee Deposit in accordance with the terms hereof because of a Assignee default; or (iii) immediately upon Assignee's delivery of notice to Assignor that Assignee will not consummate the transaction contemplated hereunder. Following expiration of the Due Diligence Period, the Assignment Fee Deposit shall be returned to Assignee if and only if the transaction contemplated hereunder fails to close because of a default by Assignor or a default by Landlord under the Real Property Purchase Agreement. Upon the Close of Escrow (as hereinafter defined), the Assignment Fee Deposit shall be applied against the Assignment Fee.

2.2 Cash at Closing. On or before the Close of Escrow, Assignee shall deposit with Escrow Holder by federal wire transfer or cashier's check cash in an amount equal to the Assignment Fee, minus the Assignment Fee Deposit (the "Cash Payment"), plus or minus the closing adjustments and

prorations.

3. ASSIGNOR'S DUE DILIGENCE DELIVERIES. Assignor shall deliver to Assignee no later than five (5) days after the Effective Date the following documents (the "Due Diligence Materials"), ownership of which shall be deemed transferred from Assignor to Assignee upon the Close of Escrow: (i) all leases, subleases, service agreements, maintenance agreements and other contracts relating to the ownership, operation, use and maintenance of the Property, including the Lease, (ii) any and all environmental reports or studies with respect to the Improvements or the Real Property and any and all reports or studies regarding the physical condition of the Improvements in the possession of Assignor, and (iii) any and all surveys of the Real Property which were prepared by or are in the possession or control of Assignor.

4. CONDITIONS PRECEDENT.

4.1 Assignee's Conditions. Assignee's obligation to accept an assignment of the Leasehold Interest in the Property shall be subject to and contingent upon the satisfaction or written waiver of the following conditions precedent:

4.1.1 Due Diligence Period. Assignee's inspection and approval during the Due Diligence Period of all Due Diligence Materials, all records and files of Assignor relating to the Property, and all physical, environmental, legal and any other matters relating to the Property (including zoning, land use and similar public agency or governmental conditions or approvals with respect to the ownership, operation and use of the Property) as Assignee may, in Assignee's sole discretion, elect to investigate. As used in this Agreement, the term "Due Diligence Period" shall mean the period commencing on the Effective Date and ending at 5:00 P.M. Pacific Standard Time on the thirtieth (30th) day after the Effective Date of this Agreement.

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4.1.1.1 Physical Inspection. During the Due Diligence Period, Assignee shall be permitted to make complete physical, environmental, legal and other inspections of the Property and to make and remove copies of any and all records and files regarding the Property; provided, however, that in no event shall Assignor be required to provide Assignee with access to or copies of proprietary or government-classified documents. Assignor shall allow Assignee access to the Property in accordance with the terms and provisions of the Access Agreement attached hereto as Exhibit F.

4.1.2 Consent; Estoppel. Assignee's receipt and approval, on or before the Close of Escrow, of a Consent and Estoppel Certificate executed by Landlord in the form attached hereto as Exhibit A (the "Consent and Estoppel Certificate");

4.1.3 Covenants; Representations. Assignor's performance of each and every covenant required to be performed by Assignor hereunder, and the truth and correctness of each of Assignor's representations and warranties as set forth in Section 6.2.

4.1.4 Change in Representations or Warranties. Assignee shall have approved any material (in Assignee's judgment) change to Assignor's representations and warranties reflected in the Closing Certificate (as defined in Section 5.1.7). Assignee shall have two (2) business days following receipt of said certificate to approve or disapprove any such changes (and if necessary, the Close of Escrow shall be extended by the number of days necessary to give Assignee this full two (2) business day period).

4.1.5 Change in Condition. There shall have been no material adverse changes in the physical condition of the Property.

4.1.6 Real Property Purchase Agreement. Assignee and Landlord have negotiated and executed a purchase and sale agreement (the "Real Property Purchase Agreement") pursuant to which Landlord has agreed to sell Landlord's fee interest in the Real Property to Assignee. All conditions and contingencies under the Real Property Purchase Agreement between Landlord and Assignee shall have been satisfied in accordance with the terms thereof. At the Close of Escrow, Landlord shall simultaneously transfer title to the Real

Property to Assignee pursuant to the terms of the Real Property Purchase Agreement.

4.2 Assignor's Conditions. Assignor's obligation to assign the Leasehold Interest in the Property shall be subject to and contingent upon satisfaction or written waiver of the following conditions precedent:

4.2.1 Other Property. Upon mutual execution of this Agreement and of the Real Property Purchase Agreement, Assignee shall terminate any and all other negotiations and contracts for the purchase of real property being considered by Assignee as an alternative to the Real Property. During the Due Diligence Period, Assignee shall not enter into any new contract for the purchase of real property as an alternative to the Real Property.

4.2.2 Real Property Purchase. Assignee shall have obtained the fee interest to the Real Property; provided, however, that Assignee's failure to consummate the

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transaction pursuant to which Assignee acquires title to the Real Property shall not result in the return of the Assignment Fee Deposit to Assignee.

4.2.3 Assignee's Fulfillment of Conditions. Assignor's obligation to sell the Property shall be subject to and contingent upon Assignee's performance of each and every covenant required to be performed by Assignee hereunder and the truth and correctness of each of Assignee's representations and warranties, as set forth in Section 6.3.

4.3 Failure or Waiver of Conditions Precedent. In the event any of the conditions set forth above in Sections 4.1 and 4.2 are not fulfilled, waived or deemed waived (for any reason other than a default by either Assignee or Assignor hereunder), this Agreement shall terminate and all rights and obligations hereunder of each party shall be at an end. Assignee or Assignor may elect, at any time or times on or before the date specified for the satisfaction of the condition, to waive in writing the benefit of any of their respective conditions set forth in Section 4.1 or Section 4.2 above, as applicable. Assignee's failure to notify Assignor in writing of the satisfaction of the condition set forth in Section 4.1.1 on or before the date specified for satisfaction shall be deemed to constitute a failure of such condition. In any event, Assignee's and Assignor's consent to the Close of Escrow shall waive any remaining unfulfilled conditions (but such waiver shall not be deemed to waive any subsequently discovered breach of any representation, warranty or covenant made by either party to this Agreement.)

5. CLOSE OF ESCROW. Concurrently herewith, Assignor and Assignee shall open an escrow (the "Escrow") with Escrow Holder for the assignment contemplated by this Agreement. Assignee and Assignor agree that such Escrow shall be closed and the assignment shall be consummated (the "Close of Escrow") on March 1, 2000 (the "Closing Date"), in the following manner:

5.1 Assignor's Deliveries into Escrow. Prior to the Close of Escrow, Assignor shall deliver into Escrow the following (all documents shall be duly executed by Assignor and shall be acknowledged where required):

5.1.1 Assignment of Lease. An Assignment and Assumption of Lease ("Assignment of Lease") in the form of Exhibit B attached hereto;

5.1.2 Bill of Sale. A bill of sale (the "Bill of Sale") with respect to the Personal Property in the form of Exhibit C, attached hereto;

5.1.3 Assignment of Intangible Property. A duplicate original of an assignment of Assignor's interest in the Intangible Property (the "Assignment of Intangible Property") in the form of Exhibit D, attached hereto;

5.1.4 Lease. Assignor shall use commercially reasonable efforts to locate and to provide to Assignee a true, correct and complete original copy of the Lease; provided, however, that if no such original can be located, Assignor shall provide a fully-executed, correct and complete copy of the Lease to Assignee;

5.1.5 Consent and Estoppel. A fully-executed Consent and Estoppel Certificate;

5.1.6 Closing Certificate. A certificate (the "Closing Certificate") in the form attached hereto as Exhibit E, which certificate shall incorporate each representation and warranty of Assignor set forth in Section 6.2, and which certifies that each such representation and warranty is true as of the Close of Escrow, or sets forth the reason that any such representation or warranty is not true;

5.1.7 Escrow Instructions. Assignor's written escrow instructions to close Escrow in accordance with the terms of this Agreement; and

5.1.8 Formation Documents. Resolutions, authorizations, bylaws or other corporate and/or partnership documents or agreements relating to Assignor and its shareholders as shall be required by Escrow Holder to close the transaction contemplated hereunder.

5.2 Assignee's Deliveries into Escrow. Prior to the Close of Escrow, Assignee shall deliver into Escrow the following:

5.2.1 Cash Payment. The Cash Payment plus or minus closing adjustments and prorations;

5.2.2 Documents. Duplicate originals, duly executed by Assignee, of the Assignment of Lease and Assignment of Intangible Property; and

5.2.3 Escrow Instructions. Assignee's written instructions to close Escrow in accordance with the terms of this Agreement.

5.3 Assignor's Deliveries Outside of Escrow. Upon or before the Close of Escrow, Assignor shall deliver or shall have previously delivered to Assignee the following items:

5.3.1 Service Contracts. Ink-signed originals of those Service Contracts that have not been terminated by Assignee on or before the Close of Escrow, or, if Assignor does not possess the same, then the best copies of such contracts available to Assignor, together with an affidavit of Assignor that such copies constitute true, correct and complete copies of such contracts;

5.3.2 Licenses, Permits and Approvals. Originals of all governmental licenses, permits and approvals relating to the occupancy or use of the Real Property in Assignor's possession; and

5.3.3 Due Diligence Materials. The originals of all other Due Diligence Materials.

5.4 Escrow Holder's Duties. On the Close of Escrow, Escrow Holder shall:

5.4.1 Clear Title. Record all documents as may be necessary to clear title in accordance with the requirements of this Agreement;

5.4.2 Closing Costs; Prorations. Pay all closing costs and making all prorations in accordance with the terms of this Agreement and a statement of adjustments and prorations prepared by Assignee and Assignor and delivered to Escrow Holder prior to the Close of Escrow;

5.4.3 Deliveries to Assignee. Deliver to Assignee the Escrow Holder's certified closing statement and an original of each of the Lease, Bill of Sale, Assignment of Intangible Property, Assignment of Lease, Non-Foreign Certificate and Closing Certificate; and

5.4.4 Deliveries to Assignor. Deliver to Assignor the Assignment Fee and Cash Payment, plus or minus closing adjustments and prorations, Escrow Holder's certified closing statement and an original of each of the Assignment of Intangible Property and Assignment of Lease.

5.5 Holdover. Pursuant to the terms and conditions of a separate agreement entered into by Assignor and Assignee, which shall be negotiated and executed during the Due Diligence Period, Assignee shall allow Assignor to continue to occupy approximately 45,000 square feet of the building located on the Real Property for a period not to exceed ninety (90) days after the Close of Escrow. In the event of such holdover by Assignor, Assignor shall pay to Assignee rent in an amount equal to Assignor's then existing rental rate and any additional rent owing under the Lease.

6. COVENANTS, REPRESENTATIONS AND WARRANTIES.

6.1 Assignor's Covenants. Assignor hereby covenants and agrees that during the period from the date of this Agreement through the Close of Escrow (the "Contract Period"):

6.1.1 Alterations; Damage. Assignor shall not make any alterations to the Property (except as required by law or governmental order, or in the event of an emergency); and Assignor shall notify Assignee promptly upon becoming aware of any damage, destruction, repair or replacement of any part of the Property.

6.1.2 Liens; Encumbrances. Assignor shall not cause or allow to be recorded any encumbrance, lien, deed of trust, easement or similar agreement against the Leasehold Interest without the express prior written consent of Assignee, nor shall Assignor cause to be recorded any encumbrance, lien, deed of trust, easement or similar agreement against title to the Property without the express prior written consent of Assignee.

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6.1.3 Insurance. Assignor shall maintain Assignor's insurance and operate and maintain the Property in a manner consistent with Assignor's past practice.

6.1.4 Permits, Etc. Assignor shall not modify or terminate any of the permits or other governmental approvals or any warranties pertaining to the Property.

6.1.5 Subleases. Assignor shall not, without notice and Assignee's written consent, which consent shall not be unreasonably withheld, enter into any new sublease or agreement pertaining to the Property.

6.1.6 Notice to Assignee. Assignor shall promptly notify Assignee in writing of any event or circumstance of which Assignor becomes aware that materially and adversely affects Assignor's ability to timely perform its obligations under this Agreement.

6.2 Assignor's Representations and Warranties. Assignor hereby represents and warrants to Assignee as follows:

6.2.1 Authority. Assignor has full power and authority to enter into this Agreement and any other documents contemplated by this Agreement and to assume and perform all of Assignor's obligations hereunder; the persons executing this Agreement and any other documents contemplated by this Agreement on behalf of Assignor have been authorized and empowered to bind Assignor thereto; and this Agreement is, and each instrument and document to be executed by Assignor hereunder shall be, a valid, legally binding obligation of Assignor enforceable against Assignor in accordance with its terms.

6.2.2 No Conflict. Neither the execution and delivery of this Agreement and the instruments and documents referenced herein nor the consummation of the transaction contemplated herein conflict with or result in the breach of any terms, conditions or provisions of any contract or other agreement or instrument to which Assignor is a party; and except as required by the Lease, no consent of any lender, partner, shareholder, beneficiary, creditor or investor of Assignor is required which has not already been obtained in order

to enter into this Agreement and consummate the transaction contemplated herein; and all loans, extensions of credit or other accommodations secured by the Leasehold Interest shall be paid upon the Close of Escrow from Assignor's proceeds and the Property shall be released from any liens securing the same.

6.2.3 Leases. Assignor has not entered into, and there does not exist, any lease, sublease or other occupancy agreement relating to the Property other than the Lease.

6.2.4 Marketable Title. Assignor holds a valid leasehold interest in the Property, which leasehold interest is insurable and free and clear of all liens and encumbrances.

6.2.5 Lease. The copy of the Lease attached hereto as Schedule 1 is a complete, true and correct copy of the Lease and, except as identified to Assignee

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in writing and attached hereto together with the Lease, there are no modifications, amendments, supplements or understandings, oral or written, amending, supplementing or changing the terms of the Lease. The Lease is in full force and effect, having been duly executed and delivered by Tenant, and is a valid and binding obligation of Landlord and Assignor. Current base monthly rent under the Lease is \$94,654.05, which Assignor will continue to timely pay through and including the Close of Escrow. Tenant has not paid rent for more than one (1) month after the month during which this Agreement is executed. Landlord has no claims or causes of action against Assignor. There is no default under the Lease on the part of Assignor or Landlord. Assignor and Landlord have each performed the obligations required to be performed by them under the Lease through the date hereof. There are no existing conditions which upon giving notice or lapse of time or both would constitute a default under the Lease.

6.2.6 Assignor's Knowledge. To the best of Assignor's knowledge, after due inquiry and investigation:

6.2.6.1 Eminent Domain. There are no eminent domain proceedings for the condemnation of the Real Property pending or contemplated.

6.2.6.2 Litigation. There is no pending or threatened litigation, proceedings or governmental action which would adversely affect the Real Property.

6.2.6.3 Defaults. There are no defaults or breaches under the terms and provisions of the Service Contracts.

6.2.6.4 Bankruptcy. Assignor has not (i) made a general assignment for the benefit of creditors, (ii) filed any voluntary petition in bankruptcy or suffered the filing of involuntary petition by Assignor's creditors, (iii) suffered the appointment of a receiver to take place of all, or substantially all, of Assignor's assets, (iv) suffered the attachment or other judicial seizure of all or substantially all of Assignor's assets, (v) admitted in writing its inability to pay its debts as they become due or (vi) made an offer of settlement, extension or composition to its creditors in general.

6.2.6.5 Taxes; Assessments. Assignor has received no written notice that the Property is subject to any special taxes, assessments, benefit charges, nor has Assignor received written notice of the intention of any governmental authority to impose any such special tax, assessments or benefit charges.

7. CLOSING ADJUSTMENTS AND PRORATIONS. The adjustments and prorations set forth below shall be made at the Close of Escrow. For the purposes of this Section 7, the term "Proration Date" shall be defined as 11:59 P.M. on the day preceding the Close of Escrow.

7.1 Closing Costs. Assignor and Assignee shall pay the following closing costs incurred in connection with the transaction contemplated by this Agreement:

7.1.1 Assignor's Closing Costs. Assignor shall pay all sales taxes and city and county documentary and other transfer taxes with respect to the conveyance of the Leasehold Interest by Assignor to Assignee. In addition, Assignor shall pay fifty percent

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(50%) of all escrow fees incurred in connection with the conveyance of the Property by Assignor to Assignee.

7.1.2 Assignee's Closing Costs. Assignee shall pay fifty percent (50%) of all escrow fees and one hundred percent (100%) of all recording fees incurred in connection with the assignment of the Property by Assignor to Assignee.

7.2 Utilities. Assignee shall arrange with all utility services and companies serving the Property to have accounts started in the name of Assignee or its property manager beginning as of the Proration Date. Assignee and Assignor shall cooperate to have the utility services and companies make utility readings as of the Proration Date. If readings cannot be made, utility charges shall be prorated as of the Proration Date based on estimates from the latest bills available; provided, in any event, Assignor shall pay, through and including the Proration Date, all utility charges attributable to the Property which are not payable directly by tenants or other occupants of the Property.

7.3 Calculations for Closing. Assignor and Assignee shall provide Escrow Holder with a preliminary calculation of prorations no later than three (3) days prior to the Proration Date and a final calculation no later than one (1) day prior to the Proration Date. The final calculation shall be executed by each party and may be relied upon by Escrow Holder in completing the closing adjustments and prorations. In the event incomplete information is available, or estimates have been utilized to calculate prorations as of the Proration Date, any prorations relating thereto shall be further adjusted and completed outside of Escrow within sixty (60) days after the Proration Date or as and when complete information becomes available to Assignee and Assignor. Any adjustments to initial estimated prorations which are required upon review of such complete information shall be made by Assignee and Assignor, with due diligence and cooperation, by prompt cash payment to the party entitled to a credit as a result of such adjustments. Any errors or adjustments in calculations of the foregoing adjustments shall be corrected or adjusted as soon as practicable after the Close of Escrow; provided, however, the provisions hereof shall survive the Close of Escrow for not more than eighteen (18) months after the Close of Escrow.

8. LIQUIDATED DAMAGES. IN THE EVENT OF THE FAILURE TO CLOSE ESCROW DUE TO DEFAULT BY ASSIGNEE IN THE PERFORMANCE OF ITS OBLIGATIONS HEREUNDER, ASSIGNOR SHALL HAVE THE RIGHT TO TERMINATE THIS AGREEMENT FORTHWITH AND NEITHER PARTY SHALL HAVE FURTHER OBLIGATIONS TO THE OTHER HEREUNDER EXCEPT ASSIGNOR'S RIGHT TO OBTAIN IMMEDIATE DISBURSEMENT OF AND TO RETAIN THE EARNEST MONEY DEPOSIT. SUCH RETENTION OF THE EARNEST MONEY DEPOSIT IS INTENDED TO CONSTITUTE LIQUIDATED DAMAGES TO ASSIGNOR. SAID AMOUNT SHALL BE THE FULL, AGREED AND LIQUIDATED DAMAGES FOR THE BREACH OF THIS AGREEMENT BY ASSIGNEE, ALL OTHER CLAIMS TO DAMAGES OR OTHER REMEDIES AT LAW OR EQUITY, INCLUDING ANY RIGHT TO BRING AN ACTION FOR SPECIFIC PERFORMANCE, BEING HEREIN EXPRESSLY WAIVED BY ASSIGNOR. THE PARTIES ACKNOWLEDGE THAT THE ACTUAL DAMAGES WHICH WOULD RESULT TO ASSIGNOR AS A

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RESULT OF SUCH FAILURE WOULD BE EXTREMELY DIFFICULT TO ESTABLISH. IN ADDITION, ASSIGNEE DESIRES TO HAVE A LIMITATION PUT UPON ITS POTENTIAL LIABILITY TO ASSIGNOR IN THE EVENT THAT THIS TRANSACTION SHALL FAIL TO CLOSE. BY PLACING THEIR RESPECTIVE INITIALS IN THE SPACES HEREINAFTER PROVIDED, THE PARTIES ACKNOWLEDGE THAT (i) ASSIGNOR SHALL ONLY BE ENTITLED TO LIQUIDATED DAMAGES IN THE AMOUNT OF THE EARNEST MONEY DEPOSIT UPON A DEFAULT BY ASSIGNEE UNDER THE TERMS OF THIS AGREEMENT AND (ii) ASSIGNOR HAS WAIVED ANY RIGHT TO BRING AN

ACTION FOR SPECIFIC PERFORMANCE.

ASSIGNEE () AND ASSIGNOR () AGREE.

9. DEFAULT BY ASSIGNOR. In the event of a default by Assignor under this Agreement, Assignee shall have the right to pursue any remedy available to Assignee at law or equity, including, without limitation, specific performance of this Agreement.

10. MISCELLANEOUS.

10.1 Brokerage Commissions. Each party to this Agreement warrants to the other that no person or entity can properly claim a right to a real estate commission, finder's fee or other real estate brokerage-type compensation (collectively, "Real Estate Compensation") based upon the acts of that party with respect to the transaction contemplated by this Agreement other than Cornish & Carey Commercial. Each party hereby agrees to indemnify and defend the other (by counsel acceptable to the party seeking indemnification) against and hold the other harmless from and against any and all loss, damage, liability or expense, including costs and reasonable attorneys' fees, resulting from any claims for Real Estate Compensation by any person or entity based upon such acts. Assignee shall pay all commissions and fees payable to Cornish & Carey Commercial.

10.2 No Liability. Assignor agrees that, except for any Leases approved by Assignee and Service Contracts assigned to and accepted by Assignee upon the Close of Escrow, Assignee shall have no liability as a successor in interest for any contracts or agreements entered into by Assignor in connection with its interest in or operation of the Property or the use, occupancy or construction of the improvements located thereon; and Assignor shall fully perform all of its commitments and obligations under any such contracts and agreements and shall indemnify and defend Assignee against (by counsel acceptable to Assignee) and hold Assignee harmless from any and all losses, costs, damages, liabilities and expenses, including, without limitation, reasonable counsel fees, brokerage commissions and lease assumptions under any Leases.

10.3 Time of the Essence. Time is of the essence of every provision of this Agreement.

10.4 Notices. Whenever Escrow Holder or any party hereto shall desire to give or serve upon the other any notice, demand, request or other communication, each such notice, demand, request or other communication shall be in writing and shall be given or served

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upon the other party by facsimile (with copy to be sent by United States Mail or any method of delivery provided in this Section 10.4), by personal service or by certified, registered or Express United States Mail, Federal Express or other nationally recognized commercial courier, postage prepaid, addressed as set forth above.

10.5 Marketing. Assignor shall not market or show the Property to any other prospective assignees after the date of this Agreement and until after this Agreement terminates.

10.6 Attorneys' Fees. If Assignee or Assignor is required to employ counsel to enforce any of the terms of this Agreement or for damages by reason of any alleged breach of this Agreement or for a declaration of rights hereunder or to enforce the judgment of any judicial or quasi-judicial body with respect to the terms of this Agreement, the prevailing party shall be entitled to recover its reasonable attorneys' fees and court costs incurred, including but not limited to attorneys' fees after the award, and prior to the payment, of any judgment or other settlement.

10.7 Successors and Assigns. This Agreement shall be binding upon the heirs, executors, administrators, successors and assigns of Assignor and Assignee; and Assignee shall have the right to assign its rights hereunder to any party and such assignment shall be effective as a release of Assignee from the obligations hereunder, provided that the assignee of Assignee accepts

such assignment. Assignor shall not assign or transfer all or any portion of its rights or obligations under this Agreement to any other individual, entity or other person without the consent of Assignee.

10.8 Confidentiality. Except for such disclosure as may be required by law or agreed to by the parties hereto in writing, Assignor and Assignee agree to keep in confidence this Agreement and each and every term and provision hereof, including, without limitation, the Assignment Fee; provided, however, that Assignor and Assignee may disclose this Agreement to certain employees as necessary to fulfill the terms hereof, accountants, attorneys, and lenders on the condition that such person shall be advised as to the confidentiality requirements of this paragraph 10.8. Except as required by law, no publicity release or public announcement concerning this Agreement or the transactions contemplated hereby shall be issued without advance written approval of the form and substance thereof by Assignor and Assignee.

10.9 Captions. Section titles or captions contained herein are inserted as a matter of convenience and for reference, and in no way define, limit, extend or describe the scope of this Agreement.

10.10 Exhibits. All exhibits attached hereto shall be incorporated herein by reference as if set out herein in full.

10.11 Binding Effect. Regardless of which party prepared or communicated this Agreement, this Agreement shall be of binding effect between Assignee and Assignor only upon its execution by an authorized representative of each such party.

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10.12 Construction. The parties acknowledge that each party and its counsel have reviewed and revised this Agreement and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement or any amendment or exhibits hereto.

10.13 Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original, but all of such counterparts shall constitute one such Agreement.

10.14 Further Assurances. Assignee and Assignor shall make, execute, and deliver such documents and undertake such other and further acts as may be reasonably necessary to carry out the intent of the parties hereto.

10.15 Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of California.

10.16 Entire Agreement. This Agreement embodies the entire agreement between Assignee and Assignor in connection with this transaction. This Agreement cannot be modified except in writing signed by all parties.

10.17 Waiver of Jury Trial. Assignor and Assignee each waive trial by jury in any action or other proceeding (including counterclaims), whether at law or equity, brought by Assignor or Assignee against the other on matters arising out of or in any way related to or connected with this Agreement or any transaction contemplated by, or the relationship between Assignor and Assignee, or any action or inaction by any party under this Agreement.

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IN WITNESS WHEREOF, Assignee and Assignor have executed and delivered this Agreement as of the Effective Date.

"Assignor"

LOCKHEED MARTIN CORPORATION,
a Maryland corporation

By: _____
Print Name: _____
Its: _____

"Assignee"

NETWORK APPLIANCE, INC., a California
corporation

By: _____
Name: _____
Its: _____

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Landlord hereby consents to Assignor entering into the foregoing Agreement of Assignment of Lease, subject to the following conditions: (a) no assignment of the Lease or other transfer of any of Assignor's rights or interest therein or thereunder shall be consummated or effective unless and until the closing of the sale of the fee interest in the Real Property (the "Sale Closing") shall have occurred pursuant to the Real Property Purchase Agreement, and (b) on or prior to the Sale Closing, Assignor and Assignee shall have executed and delivered to Landlord a General Release substantially in the form attached as an exhibit to the Real Property Purchase Agreement. Nothing in this consent or in the Real Property Purchase Agreement shall be construed as conferring upon Assignor or any other third party any rights under the Real Property Purchase Agreement. Neither Assignor nor any third party is intended to be a third-party beneficiary under the Real Property Purchase Agreement.

TRINET ESSENTIAL FACILITIES XII, INC.,
a Maryland corporation

By: _____
Print Name: _____
Its: _____
Date: September 3, 1999

14.

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EXHIBIT A

CONSENT AND ESTOPPEL CERTIFICATE

Date: _____, 19____.

Re: Lease dated _____ ("Lease") between
_____ ("Tenant") and
_____ ("Landlord"); Leased Premises:
_____ square feet in Suite/Floor _____ ("Leased
Premises") _____

Ladies and Gentlemen:

The undersigned, as Landlord under the above-referenced Lease, hereby represents, warrants and certifies to _____ ("Assignee") the truth and accuracy of the foregoing descriptions and the following statements:

1. Attached hereto as Schedule 1 is a complete, true and correct copy of the Lease and, except as identified to Assignee in writing and attached hereto together with the Lease, there are no modifications, amendments, supplements or understandings, oral or written, amending, supplementing or changing the terms of the Lease.

2. The Lease is in full force and effect.

3. To the actual knowledge of Landlord, (a) there is no default under the Lease on the part of Tenant or Landlord, and (b) there are no existing conditions which upon giving notice or lapse of time or both would constitute a default under the Lease.

4. Landlord has no claim against Tenant for any security, rental, cleaning or other deposits, except for a security deposit under the Lease in the amount of \$_____.

5. Landlord has not entered into any assignment or other agreement transferring any of its interest in the Lease or the Leased Premises other than that certain Purchase Agreement executed by Landlord and Assignee.

6. There has not been filed by or against Landlord a petition in bankruptcy, voluntary or otherwise, any assignment for the benefit of creditors, any petition seeking reorganization or arrangement under the bankruptcy laws of the United States, or any state thereof, or any other action brought under said bankruptcy laws with respect to Landlord.

EXHIBIT A
A-1.

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This Estoppel Certificate is made to Assignee in connection with the prospective purchase by Assignee of the Tenant's interest in the Lease. This Estoppel Certificate may be relied on by Assignee in connection with such purchase.

Very truly yours,

"Landlord"

By: _____
Its: _____

EXHIBIT A
A-2.

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EXHIBIT B

ASSIGNMENT OF LEASE

This ASSIGNMENT OF LEASE ("Assignment") is entered into this ___ day of _____, 1999 (the "Effective Date"), by and between LOCKHEED MARTIN CORPORATION, a Maryland corporation ("Assignor"), NETWORK APPLIANCE, INC., a California corporation ("Assignee"), and _____, a _____ ("Landlord").

RECITALS

A. Assignor, as tenant, and Landlord, as landlord, are now parties to that certain _____, dated _____ (the "Lease"), pursuant to which Assignor leases from Landlord approximately 175,000 square feet of space located at 1260 Crossman Avenue, Sunnyvale, California and more particularly described in the Lease. The Lease is attached hereto as Exhibit A and incorporated herein by this reference.

B. Assignor desires to assign the Lease to Assignee, and Assignee desires to accept the assignment of the Lease on the terms and conditions set forth herein.

NOW, THEREFORE, IN CONSIDERATION of the mutual covenants and promises of the parties, the parties hereto agree as follows:

1. ASSIGNMENT. As of the Effective Date, Assignor assigns and transfers to Assignee, without reservation, all of Assignor's right, title and interest in and to the Lease, and Assignee hereby accepts the assignment in accordance with the terms of this Agreement.

2. ASSUMPTION. As of the Effective Date, Assignee shall assume and be bound by all of Assignor's right, title, interest, obligations and liabilities as tenant under the terms of the Lease.

3. CONSIDERATION. As consideration for the assignment of the Lease from Assignor to Assignee, Assignee shall pay to Assignor on or before the Effective Date, the sum of Ten Million and No/100 Dollars (\$10,000,000.00).

4. SUCCESSORS. This Assignment shall be binding on, and inure to the benefit of, the parties hereto, their successors-in-interest, and assigns.

EXHIBIT B
B-1.

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5. COUNTERPARTS. This Assignment may be executed in two or more counterparts, each of which shall be deemed an original, but when taken together shall constitute one entire agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Assignment as of the day and year first above written.

"Assignor"

LOCKHEED MARTIN CORPORATION,
a Maryland corporation

By: _____
Print Name: _____
Title: _____

"Assignee"

NETWORK APPLIANCE, INC.,
a California corporation

By: _____
Print Name: _____
Title: _____

EXHIBIT B
B-2.

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Schedule 1
LEASE

EXHIBIT B
B-3.

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EXHIBIT C
BILL OF SALE

For valuable consideration, receipt of which is acknowledged, _____, a _____ ("Assignor") grants, sells, transfers and assigns to _____ ("Assignee") all of the Personal Property and Due Diligence Materials described in that certain Agreement of Assignment of Lease (the "Agreement") dated _____, 19__ entered into by and between Assignor and Assignee, including, without limitation, that certain Personal Property described in Schedule 1 attached hereto.

Assignor hereby covenants with, and warrants to, Assignee that Assignor is the lawful owner of the Personal Property and Due Diligence Materials, and that the Personal Property and Due Diligence Materials are free from the rights and claims of others, including any leases, financing agreements and/or encumbrances.

IN WITNESS WHEREOF, Assignor has executed this Bill of Sale this _____ day of _____, 19__.

By: _____
Title: _____

EXHIBIT C
C-1.

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EXHIBIT D
ASSIGNMENT OF INTANGIBLE PROPERTY

FOR VALUABLE CONSIDERATION, the receipt and sufficiency of which are hereby expressly acknowledged, _____, a _____ ("Assignor"), hereby assigns, transfers and conveys to _____ ("Assignee"), all of Assignor's right, title and interest in and to the Intangible Property, as that term is defined in that certain Agreement of Assignment of Lease (the "Agreement") dated _____, 19__ entered into by and between Assignor, as Assignor, and Assignee, as Assignee; provided, however, such Intangible Property shall only include those Service Contracts more particularly described in Schedule 1 attached hereto (hereinafter referred to as the "Assigned Contracts").

Assignee hereby assumes and agrees to keep, perform and fulfill all of Assignor's obligations as obligor under the Assigned Contracts. Assignee also agrees to indemnify, protect, defend and hold Assignor harmless from and against any and all claims, damages, losses, costs and expenses (including attorneys' fees) arising in connection with the Assigned Contracts and relating to the period after Closing.

Assignor hereby covenants and warrants that it has performed all of the obligations to be performed by Assignor pursuant to and in accordance with, or with respect to, the Assigned Contracts and agrees to indemnify, protect, defend and hold Assignee harmless from and against any and all claims, damages, losses, costs and expenses (including attorneys' fees) arising in connection with the Assigned Contracts and relating to the period prior to

Closing, including the date of Closing.

Assignor hereby covenants with, and warrants to, Assignee that Assignor is the lawful owner of the Intangible Property and that the Intangible Property is free from the rights and claims of others, including any leases, financing agreements and/or encumbrances.

This Assignment of Intangible Property is given pursuant to the Agreement.

IN WITNESS WHEREOF, Assignor and Assignee have executed this Assignment of Intangible Property as of _____, 199__.

By: _____
Title: _____

By: _____
Title: _____

EXHIBIT D
D-1.

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EXHIBIT E
CLOSING CERTIFICATE

This Closing Certificate is made and delivered by the undersigned Assignor with reference to that certain Agreement of Assignment of Lease, dated _____, 199__, ("Agreement") between Assignor and _____ ("Assignee").

Assignor hereby restates and reaffirms its representations and warranties set forth in Section 6.2 of the Agreement with full force and affect as if set forth fully herein and made and delivered on the date hereof without any exception or qualification.

"Assignor"

By _____

Its _____

Dated: _____, 1999

EXHIBIT E
E-1.

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EXHIBIT F
ACCESS AGREEMENT

This Access Agreement ("Agreement"), grants to NETWORK APPLIANCE, INC., a California corporation and its agents, consultants and experts (hereinafter collectively "Permittee") the right to enter the real property commonly known as 495 Java Drive, Sunnyvale, California (the "Property") and perform the activities described below.

RECITALS

A. The Property is occupied by Lockheed Martin Corporation, a Maryland corporation ("LMC"), and owned by TriNet Essential Facilities XII, Inc., a Maryland corporation ("TriNet").

B. In order for Permittee to perform due diligence for the purpose of purchasing the Property, Permittee seeks to gain access to the Property for the purpose of performing inspections and investigations, including, but not limited

to, an environmental assessment, structural and soils tests, roof sampling, and the preparation of a survey of the Property (collectively, the "Work").

AGREEMENT

Subject to the limitations and conditions set forth below, LMC grants to Permittee, as of the date of mutual execution hereof, the right to enter onto the Property for the limited purposes set forth below:

1. This Agreement authorizes Permittee to perform the Work as described above, at Permittee's expense, on the Property subject to the terms and conditions set forth herein. Permittee will notify LMC and TriNet forty-eight (48) hours in advance of when Permittee intends to perform Work on the Property. Permittee will provide LMC and TriNet with a work plan describing the task to be performed on the Property in advance of the commencement of Work. Permittee shall not drill boreholes or wells without first obtaining the consent of representatives of LMC and TriNet as to the precise location of the boreholes and wells, which consent shall not be unreasonably withheld or delayed. Permittee shall contact John Macchi of LMC at (408) 734-6115 and James Pierre of TriNet at (415) 391-4300 to obtain consent for boreholes and wells.

2. The commencement date of this Agreement shall be the date on which it is fully executed by the parties hereto.

3. Prior to commencement of the Work, Permittee shall obtain from any City, County or other local, state or federal authority having jurisdiction over any aspect of the Work, all required permits, authorizations, and approvals. All Work performed by Permittee pursuant to this Agreement shall be completed in compliance with all applicable codes, ordinances, laws,

EXHIBIT F

F-1.

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regulations and orders, and in a workmanlike and professional manner, and so as not to unreasonably disturb LMC as occupant of the Property.

4. If Permittee drills through any impervious layer of material between distinct groundwater bearing zones, it shall close the borehole or complete the wells in an appropriate manner. Removal and disposal of soil, drilling mud, extracted groundwater, and any other materials or wastes from the Property generated by Permittee shall be the responsibility of Permittee, and such removal and disposal shall be completed by Permittee promptly upon completion of drilling activities and groundwater sampling, but in no event later than fifteen (15) days after the completion of drilling activities and groundwater sampling. If access to LMC's facilities, including parking, will be obstructed during or after drilling, sampling or surveying activities, Permittee shall obtain prior approval from LMC to conduct such activities, which approval shall not be unreasonably withheld or delayed. If requested by LMC or TriNet, Permittee shall provide LMC and/or TriNet with split samples from the boreholes immediately upon collection of the samples, and thereafter shall not be responsible for maintaining the integrity of the split sample.

5. Permittee shall make available to and send to LMC and TriNet any and all test results Permittee gathers within fifteen (15) days from the date of completion of such testing or surveying. Permittee shall not release or disclose any test results to any third party unless (i) Permittee has received written approval from LMC and TriNet as to the release or disclosure of such information, (ii) Permittee is required by law to release or disclose such information, or (iii) such test results are released to Permittee's agents, lawyers, experts or consultants in order to ascertain the impact thereof. Copies of all test results and surveys shall be sent to LMC and TriNet at the following respective addresses:

LOCKHEED MARTIN CORPORATION
c/o LMC Properties, Inc.
100 South Charles Street, Suite 1400
Baltimore, MD 21220
Attn: Ms. Terri E. Beattie
Telephone: (410) 468-1007
Facsimile: (410) 468-1079

TRINET CORPORATE REALTY TRUST, INC.

One Embarcadero Center, Suite 3300
San Francisco, CA 94111
Attention: Mr. James Pierre

6. All work performed by Permittee under this Agreement shall be performed by Permittee at its expense.

7. Permittee certifies that it has a policy or policies of comprehensive liability insurance with respect to its activities permitted under this Agreement as well as those of its experts and consultants, that provide personal and broad form property damage coverage for not

EXHIBIT F
F-2.

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less than Two Million Dollars (\$2,000,000.00) combined single limit for bodily injury, death and property damage liability. The insurance carried pursuant to this Agreement shall name LMC and TriNet as an additional insured. Permittee shall send to LMC and TriNet a Certificate of Insurance evidencing insurance coverage required by this Section 7 prior to access by Permittee to the Property.

8. Permittee hereby assumes responsibility and liability for and shall indemnify, defend and hold harmless LMC and TriNet for any and all costs, claims, liabilities, losses, damages for expenses (including without limitation attorney's fees and costs) resulting from the work performed on the Property pursuant to this Agreement by Permittee or by any other person or Persons performing such services for Permittee. The foregoing obligation shall survive termination of this Agreement.

9. The Permittee shall be responsible, at Permittee's sole expense, for repairing any damage caused to the Property by Permittee as a result of the Work or Permittee's access to the Property. All repairs shall be made promptly upon completion of the Work.

10. The authorization granted herein to Permittee to enter onto the Property shall terminate upon completion of the Work and the Work repairs unless this Agreement is extended by mutual consent of the parties.

11. The access granted herein is exclusive to Permittee and is not assignable.

(Remainder of Page Intentionally Left Blank)

EXHIBIT F
F-3.

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective as of the date written below.

PERMITTEE
NETWORK APPLIANCE, INC.,
a California corporation

LMC
LOCKHEED MARTIN CORPORATION,
a Maryland corporation

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

Date: _____

Date: _____

TRINET

TRINET ESSENTIAL FACILITIES XII, INC.,
a Maryland corporation

By: _____

Name: _____

Title: _____

Date: _____

EXHIBIT F
F-4.

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