

NetApp, Inc.
Form DEF 14A
July 13, 2010

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

NETAPP, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11
(Set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

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Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

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**NETAPP, INC.
495 East Java Drive
Sunnyvale, California 94089**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held August 31, 2010**

You are cordially invited to attend the Annual Meeting of Stockholders (Annual Meeting) of NetApp, Inc., a Delaware corporation (NetApp or Company), which will be held on August 31, 2010, at 3:00 p.m. local time, at the Company s headquarters, 495 East Java Drive, Sunnyvale, California 94089. We are holding the Annual Meeting for the following purposes:

1. To elect the following individuals to serve as members of the Board of Directors for the ensuing year or until their respective successors are duly elected and qualified: Daniel J. Warmenhoven, Nicholas G. Moore, Thomas Georgens, Jeffrey R. Allen, Alan L. Earhart, Gerald Held, T. Michael Nevens, George T. Shaheen, and Robert T. Wall;
2. To approve an amendment to the 1999 Stock Option Plan (the 1999 Plan) to increase the share reserve by an additional 7,000,000 shares of common stock;
3. To approve an amendment to the Company s Employee Stock Purchase Plan (Purchase Plan) to increase the share reserve by an additional 5,000,000 shares of common stock, to clarify the discretion of the Purchase Plan administrator to determine eligibility requirements, and to remove its fixed-term expiration date; and
4. To ratify the appointment of Deloitte & Touche LLP as independent auditors of the Company for the fiscal year ending April 29, 2011.

The foregoing items of business are more fully described in the Proxy Statement that accompanies this Notice of Annual Meeting of Stockholders. The Board of Directors has fixed the close of business on July 6, 2010 as the record date for determining the stockholders entitled to notice of and to vote at the Annual Meeting and any adjournment or postponement thereof.

In accordance with the Securities and Exchange Commission (SEC) rules and regulations, we have elected to provide access to our proxy materials over the Internet. Accordingly, the Company will mail, on or about July 13, 2010, a Notice of Internet Availability of Proxy Materials to its stockholders of record and beneficial owners. The Notice of Internet Availability of Proxy Materials will identify the website where the proxy materials will be made available; the date, time, and location of the Annual Meeting; the matters to be acted upon at the meeting and the Board of Directors recommendation with regard to each matter; a toll-free telephone number, an e-mail address, and a website where stockholders can request a paper or e-mail copy of the Proxy Statement, our Annual Report to stockholders and a form of proxy relating to the Annual Meeting; information on how to access the form of proxy; and information on how to obtain directions to attend the meeting and vote in person. These proxy materials will be available free of charge.

To assure your representation at the Annual Meeting, you are urged to cast your vote, as instructed in the Notice of Internet Availability of Proxy Materials, over the Internet or by telephone as promptly as possible. You may also request a paper proxy card to submit your vote by mail, if you prefer. Any stockholder of record attending the Annual

Meeting may vote in person, even if she or he has voted over the Internet, by telephone or returned a completed proxy card.

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Thank you for your participation.

BY ORDER OF THE BOARD OF DIRECTORS,

Thomas Georgens
Chief Executive Officer and President

Sunnyvale, California
July 13, 2010

YOUR VOTE IS EXTREMELY IMPORTANT. TO ENSURE YOUR REPRESENTATION AT THE ANNUAL MEETING, YOU ARE URGED TO VOTE BY TELEPHONE OR INTERNET AS PROMPTLY AS POSSIBLE. ALTERNATIVELY, YOU MAY REQUEST A PAPER PROXY CARD, WHICH YOU MAY COMPLETE, SIGN AND RETURN BY MAIL.

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PROXY STATEMENT

**FOR THE ANNUAL MEETING OF STOCKHOLDERS OF
NETAPP, INC.
To Be Held August 31, 2010**

General

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors (Board or Board of Directors) of the Company, of proxies to be voted at the Annual Meeting of Stockholders (Annual Meeting) to be held on August 31, 2010, or at any adjournment or postponement thereof, for the purposes set forth in the accompanying Notice of Annual Meeting of Stockholders. Stockholders of record on July 6, 2010 will be entitled to vote at the Annual Meeting. The Annual Meeting will be held at 3:00 p.m. local time at the Company s headquarters, 495 East Java Drive, Sunnyvale, California 94089.

In accordance with rules and regulations adopted by the Securities and Exchange Commission (the SEC), instead of mailing a printed copy of our proxy materials to each stockholder of record, we are now furnishing proxy materials to our stockholders over the Internet. If you received a Notice of Internet Availability of Proxy Materials by mail, you will not receive a printed copy of the proxy materials. Instead, the Notice of Internet Availability of Proxy Materials instructs you as to how you may access and review all of the important information contained in the proxy materials. The Notice of Internet Availability of Proxy Materials also instructs you as to how you may submit your proxy over the Internet. If you received a Notice of Internet Availability of Proxy Materials by mail and would like to receive a printed copy of our proxy materials you should follow the instructions for requesting such materials included in the Notice of Internet Availability of Proxy Materials.

It is anticipated that the Notice of Internet Availability of Proxy Materials will be mailed to stockholders on or about July 13, 2010.

Record Date and Shares Outstanding

The close of business on July 6, 2010 was the record date to determine the stockholders who will be entitled to vote at the Annual Meeting and any adjournments or postponements thereof. At the record date, the Company had approximately 355,506,941 shares of its common stock outstanding and entitled to vote at the Annual Meeting and approximately 858 registered stockholders. No shares of the Company s preferred stock were outstanding. Each holder of common stock is entitled to one vote for each share of common stock held by such stockholder on July 6, 2010.

Quorum Requirement

A majority of the shares of common stock issued and outstanding and entitled to vote, in person or by proxy, constitutes a quorum for the transaction of business at the Annual Meeting.

Votes Required for Proposals

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For Proposal No. 1, the 9 director nominees receiving the highest number of affirmative votes will be elected. Approval of each of Proposal Nos. 2, 3, and 4 requires the affirmative vote of a majority of the number of Votes Cast (as defined below). Votes will be tabulated by a representative of Broadridge Financial Solutions, Inc., the independent inspector of elections appointed for the Annual Meeting, who will separately tabulate affirmative and negative votes, abstentions and broker nonvotes. Voting results will be published in a Current Report on Form 8-K, which will be filed with the SEC within 4 business days immediately following the Annual Meeting.

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Abstentions and Broker Nonvotes

While there is no definitive statutory or case law authority in Delaware as to the proper treatment of abstentions, the Company believes that abstentions should be counted for purposes of determining both (1) the presence or absence of a quorum for the transaction of business and (2) the total number of shares entitled to vote in person or by proxy at the Annual Meeting (Votes Cast) with respect to a proposal. In the absence of controlling precedent to the contrary, the Company intends to treat abstentions in this manner. Accordingly, abstentions will have the same effect as a vote against the proposal. However, because directors are elected by a plurality vote, abstentions in the election of directors will have no impact on the election of directors once a quorum exists.

Broker nonvotes (that is, votes from shares held of record by brokers as to which the beneficial owners have given no voting instructions) will be counted for purposes of determining the presence or absence of a quorum for the transaction of business, but will not be counted for purposes of determining the number of Votes Cast with respect to the particular proposal on which the broker has expressly not voted. Accordingly, broker nonvotes will not affect the outcome of the voting on a proposal that requires a majority of the Votes Cast (such as the approval of an amendment to an option plan). Thus, a broker nonvote will make a quorum more readily attainable, but the broker nonvote will not otherwise affect the outcome of the vote on a proposal.

If your shares are held in street name and you do not instruct your broker on how to vote your shares, your brokerage firm, at its discretion, may either leave your shares unvoted or vote your shares on routine matters, but not on non-routine matters. The proposal to ratify the appointment of our independent registered public accounting firm for the current fiscal year (Proposal No. 4) will be treated as a routine matter. To the extent your brokerage firm votes your shares on your behalf on this proposal, your shares will be counted as present for the purpose of determining a quorum. The proposals to approve Proposal Nos. 1, 2 and 3 are not considered routine matters and, consequently, without your voting instructions, your brokerage firm cannot vote your shares.

Methods of Voting

Stockholders may vote by proxy. The Company is offering stockholders of record four methods of voting: (1) you may vote by telephone; (2) you may vote over the Internet; (3) you may vote in person at the Annual Meeting; and (4) finally, you may request a proxy card from us and indicate your vote by completing, signing and dating the card where indicated and by mailing or otherwise returning the card in the prepaid envelope that will be provided. Each stockholder is entitled to one vote on all matters presented at the Annual Meeting for each share of common stock held by such stockholder. Stockholders do not have the right to cumulate their votes for the election of directors.

If a proxy card is voted by telephone or Internet or signed and returned by mail, without choices specified, in the absence of contrary instructions, subject to the limitations described in Rule 14a-4(d) under the Securities Exchange Act of 1934, as amended (Exchange Act), the shares of common stock represented by such proxy will be voted FOR Proposal Nos. 1, 2, 3, and 4 and will be voted in the proxy holder's discretion as to other matters that may properly come before the Annual Meeting.

Revocability of Proxies

Any stockholder giving a proxy has the power to revoke it at any time before its exercise. You may revoke or change your proxy by filing with the Secretary of the Company an instrument of revocation or a duly executed proxy bearing a later date or by attending the Annual Meeting and voting in person.

Solicitation of Proxies

The Company will bear the cost of soliciting proxies. Copies of solicitation materials will be made available upon request to brokerage houses, fiduciaries, and custodians holding shares in their names that are beneficially owned by others to forward to such beneficial owners. The Company may reimburse such persons for their costs of forwarding the solicitation materials to such beneficial owners. The original solicitation of proxies may be supplemented by solicitation by telephone, electronic communication, or other means by directors, officers, employees, or agents of the Company. No additional compensation will be paid to these individuals for any such

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services. The Company may retain a proxy solicitor to assist in the solicitation of proxies, for which the Company will pay an estimated fee of \$10,000 plus reimbursement of expenses.

Annual Report

The Notice of Annual Meeting of Stockholders, this Proxy Statement and the Annual Report of the Company for the fiscal year ended April 30, 2010 have been made available to all stockholders entitled to vote at the Annual Meeting. The Annual Report is not incorporated into this Proxy Statement and is not considered proxy-soliciting material. The Annual Report is posted at the following website address: <http://investors.netapp.com>.

Stockholder Proposals

The Company's stockholders may submit proposals that they believe should be voted upon at the Company's 2011 Annual Meeting of Stockholders. Stockholders may also recommend candidates for election to our Board of Directors for such Annual Meeting (See Corporate Governance and Corporate Governance and Nominating Committee).

Pursuant to Rule 14a-8 under the Exchange Act and subject to the requirements of our bylaws, stockholder proposals may be included in our 2011 Proxy Statement. Any such stockholder proposals must be submitted in writing to the attention of the Corporate Secretary, NetApp, Inc., 495 East Java Drive, Sunnyvale, California 94089, no later than March 15, 2011, which is the date 120 calendar days prior to the anniversary of the mailing date of the proxy statement for the fiscal 2010 Annual Meeting.

Alternatively, under the Company's bylaws, a proposal that a stockholder intends to present for consideration at the meeting but does not seek to include in the Company's proxy materials for the 2011 Annual Meeting (whether or not it relates to nominations to the Company's Board of Directors) must be received by the Corporate Secretary (at the address specified in the immediately preceding paragraph) not less than 120 calendar days prior to the date of the 2011 Annual Meeting. The stockholder's submission must include the information specified in the bylaws.

Stockholders interested in submitting such a proposal are advised to contact knowledgeable legal counsel with regard to the detailed requirements of applicable securities laws.

If a stockholder gives notice of a proposal or a nomination after the applicable deadline specified above, the notice will not be considered timely, and the stockholder will not be permitted to present the proposal or the nomination to the stockholders for a vote at the meeting.

Householding

The SEC has adopted rules that permit companies and intermediaries, such as brokers, to satisfy delivery requirements for proxy materials with respect to two or more stockholders sharing the same address by delivering a single proxy statement addressed to those stockholders. This process, which is commonly referred to as householding, potentially provides extra convenience for stockholders and cost savings for companies. The Company and some brokers household proxy materials unless contrary instructions have been received from one or more of the affected stockholders. If, at any time, you no longer wish to participate in householding and would prefer to receive a separate proxy statement, or if you are receiving multiple copies of the proxy statement and wish to receive only one, please (i) mark the designated box on your Proxy Card, (ii) follow the instructions provided when you vote over the Internet, or (iii) contact Broadridge Financial Solutions, Inc., either by calling toll free at (800) 542-1061 or by writing to Broadridge, Householding Department, 51 Mercedes Way, Edgewood, New York 11717.

PROPOSAL NO. 1:

ELECTION OF DIRECTORS

During fiscal 2010, the Board consisted of 11 members. Donald T. Valentine and Mark Leslie have informed the Board of Directors that they will not stand for re-election at the Annual Meeting. On July 13, 2010, the Board approved an amendment to the bylaws reducing the number of Board seats from 11 to 9, effective immediately prior to the Annual Meeting. Accordingly, at the Annual Meeting, 9 directors constituting the entire Board are to be elected to serve until the next Annual Meeting of Stockholders or until successors for such directors are elected and

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qualified, or until the death, resignation or removal of such directors. It is intended that the proxies will be voted for the 9 nominees named below for election to the Company's Board unless authority to vote for any such nominee is withheld. All 9 nominees are currently directors of the Company. Gerald Held and T. Michael Nevens were recommended to the Board of Directors by an independent third-party search firm and appointed to the Board on December 17, 2009. Each person nominated for election has agreed to serve if elected, and the Board has no reason to believe that any nominee will be unavailable or will decline to serve. In the event, however, that any nominee is unable or declines to serve as a director at the time of the Annual Meeting, the proxies will be voted for any nominee who is designated by the current Board to fill the vacancy. Unless otherwise instructed, the proxy holders will vote the proxies received by them for the nominees named below. The 9 nominees receiving the highest number of affirmative votes of the shares entitled to vote at the Annual Meeting will be elected directors of the Company. The proxies solicited by this Proxy Statement may not be voted for more than 9 nominees.

Information Regarding the Nominees

The name, age and position of each nominee as of May 28, 2010, are set forth in the table below. Except as described below, each of the nominees has been engaged in his principal occupation during the past five years. There are no family relationships among any of our directors or executive officers.

Name of Nominee	Age	Position	Director Since
Daniel J. Warmenhoven	59	Executive Chairman and Executive Chairman of the Board of Directors	1994
Nicholas G. Moore*	68	Lead Independent Director	2002
Thomas Georgens	50	Chief Executive Officer, President and Director	2008
Jeffry R. Allen*	58	Director	2005
Alan L. Earhart*	66	Director	2004
Gerald Held*	62	Director	2009
T. Michael Nevens*	60	Director	2009
George T. Shaheen*	66	Director	2004
Robert T. Wall*	64	Director	1993

* Independent Directors

DANIEL J. WARMENHOVEN has been a member of the Board of Directors since October 1994 and currently serves as the Executive Chairman of the Board of Directors. Mr. Warmenhoven was Chief Executive Officer from October 1994 to August 2009 and currently holds the position of Executive Chairman of the Company. Prior to joining the Company, Mr. Warmenhoven served in various capacities, including President, Chief Executive Officer, and chairman of the board of directors of Network Equipment Technologies, Inc., a telecommunications equipment company, from November 1989 to January 1994. Prior to Network Equipment Technologies, Mr. Warmenhoven held executive and managerial positions at Hewlett-Packard from 1985 to 1989 and IBM Corporation from 1972 to 1985. Mr. Warmenhoven is a director of Aruba Networks, Inc., sits on the Bechtel Board of Counselors, is vice chairman of the board of the Tech Museum of Innovation in San Jose, California and is a trustee of Bellarmine College Preparatory in San Jose, California. Mr. Warmenhoven holds a B.S. degree in electrical engineering from Princeton University.

Mr. Warmenhoven brings to the Board extensive experience in the technology and data storage industry. As our former Chief Executive Officer, Mr. Warmenhoven spent 15 years successfully leading the Company through significant growth and possesses a deep understanding of our business, strategy, operations, and employees. Mr. Warmenhoven also has valuable experience as a result of his service as a director of other technology companies. For these and other reasons, the Board believes that Mr. Warmenhoven contributes to the overall quality and diversity of perspectives on the Board.

NICHOLAS G. MOORE has been a member of the Board since April 2002 and was appointed as our Lead Independent Director in August 2009. Mr. Moore served as Global Chairman of PricewaterhouseCoopers from July

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1998 until June 2001, and Chief Executive Officer of PricewaterhouseCoopers LLP from July 1998 until June 2000. Prior to that, he served as Chairman and Chief Executive Officer of Coopers & Lybrand LLP from October 1994 until June 1998, when it merged with Price Waterhouse LLP. Mr. Moore is a member of the boards of Wells Fargo & Co., Gilead Sciences and Bechtel Corporation. Mr. Moore received a B.S. degree in accounting from St. Mary's College and a J.D. degree from Hastings College of Law, University of California.

Mr. Moore brings to the Board extensive management, financial and accounting expertise, as well as significant involvement with the technology industry. The Board believes that as the former Chief Executive Officer of a major accounting and consulting firm and a current director of one of the country's most prominent banks, Mr. Moore qualifies as a financial expert and is able to provide key insight to the Board on financial and other matters. In addition, Mr. Moore's service on the boards of other technology companies has given him expertise with respect to corporate governance issues. He also spent much of his client service career in the high technology and venture capital industry. For these and other reasons, the Board believes that Mr. Moore has the qualities necessary to contribute to the Board's overall effectiveness.

THOMAS GEORGENS is the Company's Chief Executive Officer and President and has been a member of the Board since March 2008. Mr. Georgens joined the Company in 2005 as the Executive Vice President and General Manager of Enterprise Storage Systems, served as the Company's Executive Vice President of Product Operations from January 2007 until February 2008, and as President and Chief Operating Officer from February 2008 until being appointed as our Chief Executive Officer and President in August 2009. Before joining the Company, Mr. Georgens spent nine years at Engenio, a subsidiary of LSI Corporation, the last two years as Chief Executive Officer. He has also served in various other positions, including President of LSI Corporation Storage Systems and Executive Vice President of LSI Logic Storage Systems. Prior to Engenio, Mr. Georgens spent 11 years at EMC Corporation in a variety of engineering and marketing positions. Mr. Georgens holds a B.S. degree and an M.E. degree in computer and systems engineering from Rensselaer Polytechnic Institute as well as an M.B.A. degree from Babson College.

As the Company's Chief Executive Officer, Mr. Georgens has direct, day-to-day exposure to all aspects of the Company's business. Mr. Georgens also brings to the Board substantial management and executive experience, as well as extensive knowledge of the data storage industry. As a result of these and other factors, the Board believes that Mr. Georgens adds to the Board's collective level of expertise, skills and qualifications.

JEFFRY R. ALLEN has been a member of the Board since May 2005. Prior to joining the Board, Mr. Allen was the Executive Vice President of Business Operations of the Company. Mr. Allen joined the Company in 1996 as the Chief Financial Officer and Vice President of Finance and Operations. Before coming to the Company, Mr. Allen served as Senior Vice President of Operations for Bay Networks, where he was responsible for manufacturing and distribution functions. From 1990 to 1995, he held the position of Controller for Synoptic Communications and subsequently became Vice President and Controller for Bay Networks, the new company created via the merger of SynOptics and Wellfleet Communications. Previously, Mr. Allen had a 17-year career at Hewlett-Packard Company, where he served in a variety of financial, information systems, and financial management positions, including controller for the Information Networks Group. Mr. Allen holds a B.S. degree in accounting from San Diego State University.

The Board nominated Mr. Allen to serve as a director because he brings to the Board extensive experience gained from working in the technology industry in a variety of positions at the senior management level, including almost 10 years at the Company. Mr. Allen also qualifies as an audit committee financial expert. With a strong mix of operational and financial knowledge, both generally and specifically in regards to the Company, Mr. Allen adds to the Board's collective level of expertise, skills and qualifications.

ALAN L. EARHART has been a member of the Board since December 2004. He has more than three decades of financial and accounting expertise that includes close involvement with many technology companies, including Cisco

Systems, Legato, Varian and Polycom. Mr. Earhart began his career as a certified public accountant in 1970 with Coopers & Lybrand's San Francisco office. There he rose through the company to become regional managing partner and served as chair of Coopers & Lybrand's National Venture Capital Industry Group before its merger with Price Waterhouse. After the merger, he was named managing partner for PricewaterhouseCoopers' Silicon Valley offices before eventually retiring in 2001. Mr. Earhart previously served on the board of directors of Quantum

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Corporation, Foundry Networks, and Monolithic Power Systems. He currently serves on the board of directors of Brocade Communication Systems, Inc. and Rovi Corporation (formerly known as Macrovision Solutions Corporation) and is an independent consultant and retired partner of PricewaterhouseCoopers.

The Board selected Mr. Earhart to serve as a director because he brings to the Board a deep knowledge of financial and accounting issues. Through his work experience and service on the boards of several high tech public companies, Mr. Earhart has developed knowledge of the complex issues facing global companies today. Mr. Earhart is a skilled advisor who makes a strong contribution to the diversity of perspectives on the Board.

GERALD HELD has been a member of the Board since December 2009. Since 1999, Mr. Held has been the Chief Executive Officer of Held Consulting Group, LLC. Additionally, he has been the Executive Chairman of Vertica Systems since 2006. From 2002 until 2008 Mr. Held was on the board of Business Objects. He was also a founding director for Microplace, a microfinance marketplace that was acquired by eBay. Mr. Held currently serves on the boards of Informatica and Openwave Systems, both of which are public technology companies. Mr. Held also serves on the boards of several private companies including Trickplay, Bella Picture, and Software Development Tech.

The Board selected Mr. Held to serve as a director because he has over 40 years of experience in developing, managing and advising technology organizations. He is also experienced at leading organizations through periods of growth, including building a company from startup to generating several billion dollars in revenue. In addition to his professional experience, Mr. Held has a strong technical background including an M.S. in systems engineering from the University of Pennsylvania and Ph.D. in computer science specializing in relational database technology from University of California, Berkeley.

MICHAEL NEVENS has been a member of the Board since December 2009. Since May 2006, Mr. Nevens has been a senior advisor to Permira Funds, an international private equity fund. Prior to his position with Permira Funds, Mr. Nevens spent 23 years advising technology companies with McKinsey & Co., where he managed the firm's Global High Tech Practice and chaired the firm's IT vendor relations committee. Mr. Nevens currently serves on the boards of Altera Semiconductors, Model N Software, and Active Video Networks, and served on the board of Borland Software from 2004 until 2009. Mr. Nevens has a B.S. in physics from the University of Notre Dame and an M.S. in industrial administration from Purdue University.

Mr. Nevens's experience in equity investments and advising various technology companies throughout the world led the Board to conclude that he would be a valuable addition to the Board, particularly as the Company continues to grow internationally. His experience on the boards of both public and private technology companies also provides significant value and adds to his diverse perspective.

GEORGE T. SHAHEEN has been a member of the Board since June 2004. From December 2006 until July 2009 he was the Chief Executive Officer and Chairman of the board of directors of Entity Labs, a technology company in the data collection, storage and analytics space. Mr. Shaheen was the Chief Executive Officer of Siebel Systems, Inc. from April 2005 until the sale of the company in January 2006. From October 1999 to April 2001 he served as the CEO and Chairman of the Board of Webvan Group, Inc. In July 2001, Webvan Group, Inc. filed a voluntary petition for relief under Chapter 11 of the U.S. Bankruptcy Code. Prior to joining Webvan Group, Inc., Mr. Shaheen was the Chief Executive Officer and Global Managing Partner of Andersen Consulting, which later became Accenture. Mr. Shaheen currently serves on the boards of Korn/Ferry International, 24/7 Customer, newScale, Voxify, PRA International, and Univita. He is a member of the Advisory Board of the Marcus & Millichap Company and the Strategic Advisory Board of Genstar Capital. He has served as an IT Governor of the World Economic Forum and as a member of the Board of Advisors for the Northwestern University Kellogg Graduate School of Management. He has also served on the Board of Trustees of Bradley University. Mr. Shaheen received a B.S. degree in business and an M.B.A. from Bradley University.

The Board selected Mr. Shaheen to serve as a director because he has significant experience leading, managing and advising companies. Mr. Shaheen's consulting background gives him keen insight into sales and the customer-based, service aspect of the Company's operations. In addition, Mr. Shaheen has expertise on compliance matters as a result of his service on the boards of several private and public technology companies, including service as a chairman and member of the audit and compensation committees of those boards.

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ROBERT T. WALL has been a member of the Board since January 1993. Since August 1984, Mr. Wall has been the Founder and President of On Point Developments, LLC, a venture management and investment company. Mr. Wall was a founder and, from November 2000 to December 2006, the Chairman of the Board of Directors of Airgo Networks, Inc., a Wi-Fi wireless networking systems company that was acquired by QUALCOMM, Inc. in December 2006. From June 1997 to November 1998, he was Chief Executive Officer and a member of the board of directors of Clarity Wireless, Inc., a broadband wireless data communications company that was acquired by Cisco Systems, Inc. in November 1998. Mr. Wall was Chairman of the Board, President, and Chief Executive Officer of Theatrix Interactive, Inc., a consumer educational software publisher, from April 1994 to August 1997. Mr. Wall has been a member of the Board of Trustees of the Fine Arts Museums of San Francisco since June 2007 and a member of the Visiting Committee, Arts of Africa, Oceania, and the Americas at the Metropolitan Museum of Art in New York since March 2007. He received an A.B. degree in economics from De Pauw University and an M.B.A. degree from Harvard Business School.

The Board selected Mr. Wall to serve as a director because he brings to the Board over 30 years of experience leading and founding several technology companies, including companies in the data storage, computer systems, and wireless networking areas. As the Company's longest serving director, he brings a long-term perspective of the evolution of the company to its present position and the development of its management team and compensation policy. Additionally, as a result of Mr. Wall's service on the boards of other public companies and varied strategic mergers and acquisition experience, he is familiar with a full range of corporate and board functions.

CORPORATE GOVERNANCE

The Company's Board of Directors has adopted policies and procedures that the Board believes are in the best interests of the Company and its stockholders while being compliant with the Sarbanes-Oxley Act of 2002 and the rules and regulations of the SEC and The NASDAQ Stock Market, LLC (NASDAQ).

Board Leadership Structure

The Board of Directors does not currently have a policy on whether the roles of Chief Executive Officer and Chairman may be filled by one individual. This allows the Board flexibility to better address the leadership needs of the Company from time to time as it deems appropriate. We currently separate the positions of Chief Executive Officer and Chairman of the Board. From January 2008 until August 2009, Mr. Warmenhoven served as both Chief Executive Officer and Chairman of the Board. Since that time, Mr. Georgens has served in the role of Chief Executive Officer and Mr. Warmenhoven has continued in the role as Executive Chairman of the Board and has assumed the position of Executive Chairman, a newly created position intended to help the Company build and expand relationships with certain strategic partners around the world. The Board believes that the respective roles of Mr. Georgens and Mr. Warmenhoven best utilize their skills and qualifications in the service of the Company at this time.

The Chief Executive Officer is responsible for setting the strategic direction of the Company, the general management and operation of the business, and guidance and oversight of senior management. The Executive Chairman of the Board presides at all meetings of the Board and of the stockholders, monitors the content, quality and timeliness of information sent to the Board and is available for consultation with the Board regarding the Company's oversight of business affairs.

We have also designated one of our directors as Lead Independent Director since our Chief Executive Officer and Executive Chairman of the Board are currently employees of the Company, and have deemed such position to be integral to our Board structure. The Lead Independent Director chairs Board meetings when the Executive Chairman of the Board is not present; schedules, sets the agenda for and chairs executive sessions; and chairs matters which are

within the purview of the independent directors. The Lead Independent Director also chairs the Corporate Governance and Nominating Committee. In addition, the Lead Independent Director serves as a liaison between the Executive Chairman of the Board and the independent directors; recommends changes to improve the effectiveness of the Board, the Board committees and the individual directors serving on the Board; and performs such other functions and responsibilities as requested by the Board from time to time.

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As described in more detail below, our Board of Directors has four standing committees, each chairman and each member of which is an independent director. Our Board of Directors delegates substantial responsibility to each Board committee, which reports its activities and actions back to the full Board of Directors. We believe that our independent Board committees and their respective chairs are an important aspect of our Board leadership structure.

Risk Oversight

Our Board of Directors, as a whole and through its committees, has responsibility for the oversight of risk management. With the oversight of our full Board of Directors, our executive officers are responsible for the day-to-day management of the material risks the Company faces. In its oversight role, our Board of Directors has the responsibility to satisfy itself that the risk management processes designed and implemented by the executive officers are adequate and functioning as designed. The involvement of the full Board of Directors in setting our business strategy at least annually is a key part of its oversight of risk management and allows the Board to assess and determine what constitutes an appropriate level of risk for the Company and review and consider management's role in risk management. The full Board of Directors regularly receives updates from management and outside advisors regarding certain risks the Company faces, including risks related to litigation and corporate governance.

In addition, each committee of the Board of Directors oversees certain aspects of risk management. For example, our Audit Committee is responsible for overseeing the management of risks associated with the Company's financial reporting, accounting and auditing matters; our Compensation Committee oversees our management succession planning and the relationship between our compensation policies and programs and our risk management; and our Corporate Governance and Nominating Committee oversees the management of risks associated with director independence, conflicts of interest, board composition and organization, and director succession planning. Our committees of the Board of Directors regularly report their findings to the full Board of Directors.

Other than when the Board or a committee of the Board meets in executive session, senior management attends all meetings of the Board of Directors and its committees and is available to address questions and concerns raised by directors with respect to risk management and other matters.

Independent Directors

A majority of our Board is comprised of independent directors as defined in the applicable NASDAQ rules.

The nonemployee directors regularly meet in executive session, without management, as part of the normal agenda of our Board meetings.

The Lead Independent Director is a nonemployee director and independent (as defined by the NASDAQ rules).

Corporate Governance and Nominating Committee

The Board has adopted guidelines for the identification, evaluation and nomination of candidates for director.

To assist with director nominations, the Board has assigned the Corporate Governance and Nominating Committee responsibility for reviewing and recommending nominees to the Board. While there are no specific minimum qualifications for director nominees, the ideal candidate should exhibit qualifications that will increase overall Board effectiveness, including independence, previous experience as an executive or director with other successful companies, and ability to meet other requirements under applicable rules, such as the requirement that Audit Committee members have an appropriate level of financial literacy and expertise. In evaluating the suitability of a particular director nominee, the Board considers a broad range of factors,

including, without limitation, the nominee's character, integrity, judgment, age, skills, education, expertise, length of service, understanding of the Company's business, and willingness and ability to make the necessary time commitment to diligently perform the duties of a director.

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The Corporate Governance and Nominating Committee makes an effort to ensure that the Board's composition reflects a broad diversity of experience, professions, skills, viewpoints, geographic representation and backgrounds. However, the Corporate Governance and Nominating Committee does not have a formal policy with respect to diversity, does not assign specific weights to particular criteria, and does not believe that any specific criterion is necessarily applicable to all prospective nominees. When the Corporate Governance and Nominating Committee reviews a potential new candidate, it looks specifically at the candidate's qualifications in light of the needs of the Board of Directors at that time, given the then-current mix of director attributes. With respect to the nomination of continuing directors for re-election, each continuing director's past contributions to the Board of Directors are also considered.

In the case of new director candidates, the Corporate Governance and Nominating Committee also determines whether the nominee must be independent for NASDAQ purposes, which determination is based upon applicable NASDAQ listing standards, applicable SEC rules and regulations and the advice of counsel, if necessary. The Corporate Governance and Nominating Committee generally relies on its network of contacts to compile a list of potential candidates, but it also engages a professional search firm when appropriate. The Corporate Governance and Nominating Committee conducts appropriate and necessary inquiries into the backgrounds and qualifications of possible candidates after considering the function and needs of the Board of Directors. The Corporate Governance and Nominating Committee meets to discuss and consider such candidates' qualifications and then selects a nominee for recommendation to the Board by majority vote.

If the Corporate Governance and Nominating Committee determines that it wants to identify new independent director candidates for Board membership, it is authorized to retain, and to approve the fees of, third party executive search firms to help determine the skills and qualifications that would best complement the Board and identify prospective director nominees.

The Corporate Governance and Nominating Committee uses the same process for evaluating all nominees, regardless of the source of the nomination, provided that the Company does not consider nominees recommended by stockholders unless such stockholders have continuously held at least 5% of the outstanding shares of the Company's voting securities for at least 12 months prior to the date on which the recommendation is submitted.

A stockholder who desires to recommend a candidate for election to the Board must direct the recommendation in writing to NetApp, Inc., 495 East Java Drive, Sunnyvale, California 94089, Attention: Corporate Secretary and must include the candidate's name; home and business contact information; detailed biographical data and qualifications; information regarding any relationships between the candidate and the Company within the last three years; and evidence of the nominating person's ownership of Company stock.

All of the members of the Corporate Governance and Nominating Committee meet the applicable requirements for independence from Company management.

The Board has adopted a charter for the Corporate Governance and Nominating Committee that meets applicable NASDAQ standards. The charter is located at: <http://investors.netapp.com/governance.cfm>.

Compensation Committee

All of the members of the Compensation Committee meet the applicable requirements for independence as defined by applicable NASDAQ and Internal Revenue Service rules.

The Board has adopted a charter for the Compensation Committee that meets applicable NASDAQ standards and is available at: <http://investors.netapp.com/governance.cfm>. The Compensation Committee charter is reviewed by the Compensation Committee on an annual basis and was most recently reviewed in October 2009.

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The Compensation Committee reviews and approves our incentive compensation plans in accordance with our Compensation Committee charter.

The Compensation Committee sets compensation for nonemployee directors in accordance with our Compensation Committee charter.

Audit Committee

The Board's Audit Committee has been established in accordance with Section 3(a)(58)(A) of the Exchange Act.

The Audit Committee has established policies and procedures that are consistent with the SEC and NASDAQ requirements for auditor independence.

All of the members of the Audit Committee meet the applicable requirements for independence from Company management and requirements for financial literacy.

Each member of the Audit Committee has the requisite financial management expertise.

Deloitte & Touche LLP, our independent auditor, reports directly to the Audit Committee.

The internal audit function of the Company reports directly to the Audit Committee.

The Board has adopted a charter for the Audit Committee that meets applicable NASDAQ standards and is available at <http://investors.netapp.com/governance.cfm>.

Stockholder Meeting Attendance for Directors

While we do not have a formal policy for director attendance at the Annual Meeting of the Stockholders, historically the Annual Meeting of the Stockholders is scheduled on the same day as a Board of Directors meeting and at least a majority of the directors typically attend the Annual Meeting of Stockholders. All of the directors who were on the Board as of the date of last year's Annual Meeting of Stockholders attended last year's Annual Meeting of Stockholders. Although the 2010 Annual Meeting of Stockholders has not been scheduled on the same day as a Board of Directors meeting, we have encouraged the directors to attend if their schedules permit.

Code of Business Conduct and Ethics

The Company has adopted a Code of Business Conduct and Ethics that includes a conflict of interest policy and applies to all directors, officers and employees.

All employees are required to affirm in writing their understanding and acceptance of the Code of Business Conduct and Ethics.

The Code of Business Conduct and Ethics is posted on the Company's website at: <http://www.netapp.com/governance.cfm>. The Company will post any amendments to or waivers from the provisions of our code of ethics on our website.

Personal Loans to Executive Officers and Directors

The Company does not provide personal loans or extend credit to any executive officer or director.

Stockholder Communications Policy

Stockholders may contact any of the Company's directors by writing to them by mail or express mail, c/o NetApp, Inc., 495 East Java Drive, Sunnyvale, California 94089. Employees and others who wish to contact the Board or any member of the Audit Committee to report questionable practices may do so anonymously by using this address and designating the communication as confidential.

Table of Contents**Meetings and Committees of the Board of Directors**

The Board of Directors held 6 regular meetings and 5 special meetings during fiscal 2010. During fiscal 2010, each member of the Board of Directors attended more than 75% of the aggregate of (1) the total number of meetings of the Board of Directors held during the portion of fiscal 2010 during which such director was a member of the Board of Directors and (2) the total number of committee meetings held during the portion of fiscal 2010 during which such director was a member of a Board committee. There are no family relationships among executive officers, directors or nominees of the Company. The Board of Directors has an Audit Committee, a Corporate Governance and Nominating Committee, an Investment and Acquisition Committee, and a Compensation Committee.

During fiscal 2010, the Board consisted of 11 members. In December 2009, the Board approved an amendment to the Company's bylaws to increase the number of authorized directors on the Board from 9 to 11 and appointed T. Michael Nevens and Gerald Held as members of the Board to fill the newly created vacancies. In May 2010, Donald T. Valentine, one of the Company's independent directors, notified the Company that he would not stand for re-election to the Company's Board of Directors. In June 2010, Mark Leslie, also one of the Company's independent directors notified the Company that he would not stand for re-election to the Company's Board of Directors. In July 2010, the Board approved an amendment to the bylaws, effective immediately prior to the Annual Meeting, to reduce the number of Board seats from 11 to 9.

The members of the committees are identified in the following table:

Director	Audit	Investment	Compensation	Corporate Governance and Nominating
Daniel J. Warmenhoven				
Nicholas G. Moore				Chair
Thomas Georgens				
Jeffry R. Allen	X	Chair		
Alan L. Earhart	Chair	X		X
Gerald Held		X	X	
Mark Leslie*		X		X
T. Michael Nevens	X	X		
George T. Shaheen			X	
Donald T. Valentine*				X
Robert T. Wall		X	Chair	X

* Mr. Leslie and Mr. Valentine are not standing for re-election to the Board at the 2010 Annual Meeting.

The Audit Committee is composed of directors Allen, Earhart, and Nevens all of whom are independent in accordance with the requirements of applicable SEC and NASDAQ rules and regulations. The Company's Board has determined that Mr. Earhart qualifies as an "audit committee financial expert" under the rules and regulations of the SEC. The Audit Committee reviews, acts on and reports to the Board of Directors with respect to various auditing and accounting matters, including the selection of the Company's auditors, the scope of the annual audits, fees to be paid to the auditors, the performance of the Company's auditors, the accounting practices of the Company and other such functions as detailed in the Audit Committee Charter, which can be found on the Company's website at www.netapp.com. The Audit Committee of the Board of Directors held 11 regular meetings and 1 special meeting during fiscal 2010.

The Corporate Governance and Nominating Committee is composed of directors Moore, Earhart, Leslie, Valentine, and Wall, all of whom are independent in accordance with applicable NASDAQ rules. Mr. Leslie and Mr. Valentine are not standing for re-election at the 2010 Annual Meeting. The committee evaluates and recommends to the Board of Directors candidates for Board membership and considers nominees recommended by stockholders who have continuously held at least 5% of the outstanding shares of the Company's voting securities for at least 12 months prior to the date on which the recommendation is submitted. The committee also develops and recommends corporate governance policies and other governance guidelines and procedures to the

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Board of Directors. The Corporate Governance and Nominating Committee held 2 special meetings during fiscal 2010.

The Investment and Acquisition Committee is composed of directors Allen, Earhart, Held, Leslie, Nevens, and Wall. Mr. Leslie is not standing for re-election at the 2010 Annual Meeting. The Investment and Acquisition Committee was formed for the purpose of reviewing, evaluating, and approving acquisitions and divestitures for the Company. The Investment and Acquisition Committee did not meet during fiscal 2010.

The Compensation Committee is composed of directors Wall, Held, and Shaheen all of whom are independent in accordance with applicable NASDAQ rules. The Compensation Committee establishes salaries, incentive compensation programs, and other forms of compensation for officers; creates the compensation guidelines under which management establishes salaries for non-officers and other employees of the Company; and administers the incentive compensation and benefit plans of the Company. In carrying out its responsibilities, the Compensation Committee reviews, at least annually, compensation for the Chief Executive Officer and other officers, corporate goals relevant to compensation, and executive and leadership development policies. The Compensation Committee meets regularly with its outside advisors independently of management. The Compensation Committee of the Board of Directors held 5 regular meetings and 7 special meetings during fiscal 2010.

DIRECTOR COMPENSATION

The Compensation Committee evaluates the compensation and form of compensation for nonemployee directors annually and recommends changes to the Board when appropriate. The nonemployee directors receive annual retainers as well as equity awards for their service on the Board. Details of the compensation are discussed in the narrative below. Employee directors do not receive any compensation for their services as members of the Board.

The table below summarizes the total compensation paid by the Company to the nonemployee directors for the fiscal year ended April 30, 2010.

Name	Fees Earned or Paid in Cash (\$)(1)	RSUs (\$)(2)	Option Awards (\$)(2)(3)	Change in Pension Value and			Total (\$)
				Nonequity Incentive Plan Compensation (\$)	Nonqualified Deferred Compensation Earnings	All Other Compensation (\$)	
Nicholas G. Moore	\$ 90,000	\$ 98,323	\$ 223,064		\$ 5,441		\$ 416,828
Jeffrey R. Allen	\$ 75,000	\$ 98,323	\$ 167,298		\$ 5,441		\$ 346,062
Alan L. Earhart	\$ 90,000	\$ 98,323	\$ 167,298				\$ 355,621
Gerald Held	\$ 63,000	\$ 310,086	\$ 330,170				\$ 703,255
Edward Kozel(4)							
Mark Leslie	\$ 60,000	\$ 98,323	\$ 111,532				\$ 269,855
T. Michael Nevens	\$ 70,000		\$ 660,341				\$ 730,341
George Shaheen	\$ 73,000	\$ 98,323	\$ 111,532				\$ 282,855
Donald T. Valentine	\$ 55,000	\$ 98,323	\$ 111,532				\$ 264,855

Robert T. Wall	\$ 81,000	\$ 278,830	\$ 359,830
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- (1) Fees earned represent annual retainers and committee fees.
- (2) The amounts reported represents the grant date fair value of the stock and option awards to the director under the 1999 Plan and are computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718 (FASB ASC 718). Assumptions used in the valuations of these awards are included in Note 11 of the Company's Annual Report on Form 10-K for the fiscal year ended April 30, 2010, as filed with the SEC on June 18, 2010. These amounts do not necessarily represent the actual value that may be realized by the nonemployee director.

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- (3) The nonemployee directors had options to purchase the following number of shares of common stock outstanding as of April 30, 2010:

Name	# of Outstanding Options (in Shares)	# of Outstanding Awards (in Shares)	Total Equity Awards Outstanding
Nicholas G. Moore	115,000	3,333	118,333
Jeffrey R. Allen	349,414	3,333	352,747
Alan L. Earhart	85,000	3,333	88,333
Gerald Held	27,500	9,166	36,666
Edward Kozel(4)	45,000		45,000
Mark Leslie	112,500	3,333	115,833
T. Michael Nevens	55,000		55,000
George Shaheen	140,000	3,333	143,333
Donald T. Valentine	190,000	3,333	193,333
Robert T. Wall	150,000		150,000

- (4) Mr. Kozel did not stand for reelection at the 2009 Annual Meeting and did not receive any compensation during fiscal 2010.

Summary of Director Compensation Policy

The following table sets forth a summary of our total compensation policy for our nonemployee directors for fiscal year 2010:

Position	Annual Cash Retainer	Equity Grant/Stock Options Initial Grant	Annual Grant
Board Member	\$ 50,000	55,000	20,000
Lead Independent Director	\$ 30,000		5,000
Audit Committee:			
Chairperson	\$ 30,000		5,000
Member	\$ 15,000		
Compensation Committee:			
Chairperson	\$ 16,000		5,000
Member	\$ 8,000		
Corporate Governance and Nominating Committee:			
Chairperson	\$ 10,000		5,000
Member	\$ 5,000		
Investment and Acquisition Committee:			
Chairperson	\$ 10,000		5,000
Member	\$ 5,000		

Nonemployee directors are eligible to receive equity awards (in the form of stock options or, if the Plan Administrator permits and upon the election of the director, a combination of stock options and RSUs) under the Automatic Award Program in effect under the 1999 Plan. Such equity grants are made automatically upon a director's first election or appointment and at each Annual Meeting of Stockholders thereafter to directors who are re-elected and continue to serve. See Proposal No. 2 for a more thorough description of the Automatic Award Program.

In addition, the Compensation Committee has approved a deferral program for our nonemployee directors, which allows each nonemployee director to elect to defer the receipt of his or her annual cash retainer until a later date in accordance with applicable tax laws. If the nonemployee director does not elect to defer his or her cash compensation, he or she will continue to receive his or her cash compensation as set forth above. Additionally, the

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Company has implemented a program which allows our nonemployee directors to elect to receive his or her automatic equity grants either in the form of all stock options or a combination of stock options and RSUs. To the extent a nonemployee director elects to receive a portion of his or her automatic equity grant in the form of RSUs, the director may be permitted to elect in accordance with federal tax laws when he or she will receive the payout from his or her earned RSUs and defer income taxation until the award is paid. An election to defer the payout of the earned RSUs is not intended to increase the value of the payout to the nonemployee director, but rather to give the nonemployee director the flexibility to decide when he or she will be subject to taxation with respect to the award. Any election to defer payment of any earned RSUs will not alter the other terms of the award, including the vesting requirements.

At the 2009 Annual Stockholders Meeting held on October 14, 2009, each of the individuals reelected as a nonemployee Board member at that meeting received a number of RSUs and/or an option grant for a number of shares as indicated in the table below. In addition, Mr. Held and Mr. Nevens were appointed to the Board in December 2009 and received a number of RSUs and/or an option grant for a number of shares as indicated in the table below upon their appointment to the Board. All such equity awards were received as compensation for service as a Board member, Lead Independent Director or Committee Chairperson, as applicable, in accordance with our director compensation policy described above.

Name	Restricted Stock Units (in Shares)	Stock Option Grants (in Shares)	Stock Option Exercise Price (\$)(1)	Grant Date
Nicholas G. Moore	3,333	20,000	\$ 29.50	October 14, 2009
Jeffrey R. Allen	3,333	15,000	\$ 29.50	October 14, 2009
Alan L. Earhart	3,333	15,000	\$ 29.50	October 14, 2009
Gerald Held	9,166	27,500	\$ 33.83	December 17, 2009
Edward Kozel(2)				
Mark Leslie	3,333	10,000	\$ 29.50	October 14, 2009
T. Michael Nevens		55,000	\$ 33.83	December 17, 2009
George Shaheen	3,333	10,000	\$ 29.50	October 14, 2009
Donald T. Valentine	3,333	10,000	\$ 29.50	October 14, 2009
Robert T. Wall		25,000	\$ 29.50	October 14, 2009

(1) Represents the fair market value per share of common stock on the grant date.

(2) Mr. Kozel did not stand for reelection at the 2009 Annual Meeting and did not receive any equity grant at the 2009 Annual Meeting.

Vote Required

Directors are elected by a plurality vote. The 9 nominees for director receiving the highest number of affirmative votes of the shares entitled to be voted for them shall be elected as directors. Votes against, abstentions and broker nonvotes have no legal effect on the election of directors due to the fact that such elections are by plurality. Unless you indicate otherwise, your proxy will be voted FOR the proposal.

**The Board of Directors Unanimously Recommends That Stockholders
Vote FOR Proposal No. 1.**

PROPOSAL NO. 2

AMENDMENT TO THE COMPANY S 1999 STOCK OPTION PLAN

Summary

We are asking our stockholders to approve an amendment to the 1999 Stock Option Plan (the 1999 Plan) to increase by 7,000,000 the number of shares that may be issued thereunder. The Board has approved the increase in the number of shares reserved for issuance under the 1999 Plan, subject to approval from stockholders at the Annual

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Meeting. Approval of this amendment to the 1999 Plan requires the affirmative vote of a majority of the Votes Cast. The Company's named executive officers and directors have an interest in this proposal.

The 1999 Plan is intended to increase incentives and to encourage share ownership on the part of eligible employees, nonemployee directors and consultants who provide significant services to the Company and its affiliates. The Company believes strongly that the approval of the amendment to the 1999 Plan is essential to attaining and retaining our most valuable asset, our employees. Offering a broad-based equity compensation program is vital to attracting and retaining highly skilled people in our industry. The Company believes that employees who have a stake in the future success of our business become highly motivated to achieve our long-term business goals and increase stockholder value. At this important time in our history, the Company's employees' innovation and productivity are critical to its success in a highly competitive and fast-paced industry. The 1999 Plan is designed to assist in recruiting, motivating and retaining talented employees who help us achieve the Company's business goals, including creating long-term value for stockholders.

Description of the 1999 Plan

The following paragraphs provide a summary of the principal features of the 1999 Plan and its operation. The 1999 Plan is set forth in its entirety and has been filed as Appendix A to this Proxy Statement with the SEC. The following summary is qualified in its entirety by reference to the complete text of the 1999 Plan. Any stockholder who wants to obtain a copy of the actual plan document may do so by written request to the Corporate Secretary at the Company's principal offices in Sunnyvale, California.

The 1999 Plan is divided into five separate equity programs:

- 1. Discretionary Option Grant Program* Under the Discretionary Option Grant Program, the Plan Administrator is able to grant options to purchase shares at an exercise price not less than the fair market value of those shares on the grant date.
- 2. Stock Appreciation Rights Program* Under the Stock Appreciation Rights Program, the Plan Administrator is able to grant stock appreciation rights that will allow individuals to receive the appreciation in the shares subject to the award between the date of grant and the exercise date.
- 3. Stock Issuance Program* Under the Stock Issuance Program, the Plan Administrator is able to make direct issuances of shares either through the issuance (or promise to issue) or immediate purchase of such shares or as a bonus for services rendered by participants on such terms as the Plan Administrator deems appropriate. In addition, the Plan Administrator is able to make grants of RSUs on such terms as the Plan Administrator deems appropriate.
- 4. Performance Share and Performance Unit Program* Under the Performance Share and Performance Unit Program, the Plan Administrator is able to grant performance shares and performance units, which are awards that will result in a payment to a participant only if the performance goals or other vesting criteria established by the Plan Administrator are achieved or the awards otherwise vest.
- 5. Automatic Award Program* Under the Automatic Award Program (formerly known as the Automatic Option Grant Program), nonemployee directors automatically receive award grants at periodic intervals to purchase or receive shares.

Administration of the 1999 Plan

The Compensation Committee of the Board of Directors administers the 1999 Plan (Plan Administrator). The members of the Compensation Committee qualify as nonemployee directors under Rule 16b-3 of the Exchange Act and as outside directors under Section 162(m) of the Internal Revenue Code (Code) such that the Company can receive a federal tax deduction for certain compensation paid under the 1999 Plan.

Subject to the terms of the 1999 Plan, the Plan Administrator has the sole discretion to select the employees, consultants, nonemployee directors and other independent advisors who will receive awards, determine the terms and conditions of awards (for example, the exercise price and vesting schedule), and interpret the provisions of the 1999 Plan and outstanding awards, provided, however, that the Company is unable (without the approval of stockholders) to reduce the exercise price of any outstanding stock options or stock appreciation rights granted

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under the 1999 Plan or cancel any outstanding stock options or stock appreciation rights and immediately replace them with new stock options or stock appreciation rights with a lower exercise price, awards of a different type, and/or cash. Administration of the Automatic Award Program will be self-executing in accordance with the terms of the program, but the Plan Administrator will have discretion to revise the amount or type of award made under the program on a prospective basis. Subject to the terms of our Compensation Committee Charter, the Compensation Committee may delegate any part of its authority and powers under the 1999 Plan to a subcommittee consisting of at least two members, at least one of whom must be a member of the Board and the other of whom may be an officer or the Company's executive vice president of human resources, subject to Section 16(b) of the Exchange Act (such officers are referred to herein as executive officers), but only the Compensation Committee itself can make awards to participants who are executive officers of the Company.

Shares Subject to the 1999 Plan

If Proposal No. 2 is approved, a total of 96,330,429 shares will be reserved for issuance under the 1999 Plan. As of May 28, 2010, 39,132,541 shares were subject to outstanding awards granted under the 1999 Plan, 13,964,624 shares remained available for any new awards to be granted in the future and 36,233,264 shares have been issued pursuant to awards thereunder. The closing price of our common stock was \$37.68 on May 28, 2010.

If an award expires or is cancelled without having been fully exercised or vested, the unvested or cancelled shares generally will be returned to the available pool of shares reserved for issuance under the 1999 Plan. Also, in the event any change is made to our common stock issuable under the 1999 Plan by reason of any stock split, stock dividend, recapitalization, combination of shares, merger, reorganization, consolidation, recapitalization, exchange of shares, or other change in capitalization of the Company affecting the common stock as a class without the Company's receipt of consideration, appropriate adjustments will be made to (1) the maximum number and/or class of securities issuable under the 1999 Plan, (2) the maximum number and/or class of securities for which any one individual may be granted stock options, stock appreciation rights, stock issuances, RSUs or performance shares and performance units under the 1999 Plan per calendar year, (3) the class and/or number of securities and the purchase price per share in effect under each outstanding award, and (4) the class and/or number of securities for which automatic awards are to be subsequently made under the Automatic Award Program. The Plan Administrator will make adjustments to outstanding awards to prevent the dilution or enlargement of benefits intended to be provided thereunder.

Discretionary Option Grant Program

A stock option is the right to acquire shares at a fixed exercise price for a fixed period of time. Under the Discretionary Option Grant Program, the Plan Administrator may grant nonstatutory stock options and/or incentive stock options (which entitle the recipients, but not the Company, to more favorable tax treatment). The Plan Administrator will determine the number of shares covered by each option, but during any calendar year, no participant may be granted options and/or stock appreciation rights covering more than 3,000,000 shares.

The exercise price of each option is set by the Plan Administrator but cannot be less than 100% of the fair market value of the shares covered by the option on the date of grant. The exercise price of an incentive stock option must be at least 110% of fair market value if on the grant date the participant owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any of its subsidiaries.

An option granted under the Discretionary Option Grant Program cannot be exercised until it becomes vested. The Plan Administrator establishes the vesting schedule of each option at the time of grant. Options become exercisable at the times and on the terms established by the Plan Administrator. To the extent the aggregate fair market value of the shares (determined on the grant date) covered by incentive stock options first becomes exercisable by any participant during any calendar year is greater than \$100,000, the excess above \$100,000 will be treated as a nonstatutory stock

option. Options granted under the 1999 Plan expire at the times established by the Plan Administrator, but not later than seven (7) years after the grant date.

Stock Appreciation Rights Program

A stock appreciation right is the right to receive the appreciation in fair market value of the shares subject to the award between the exercise date and the date of grant. We can pay the appreciation in either cash or shares. Stock

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appreciation rights will become exercisable at the times and on the terms established by the Plan Administrator, subject to the terms of the 1999 Plan. No participant will be granted stock appreciation rights and/or options covering more than 3,000,000 shares during any calendar year. The exercise price of each stock appreciation right is set by the Plan Administrator but cannot be less than 100% of the fair market value of the shares covered by the award on the date of grant. A stock appreciation right granted under the 1999 Plan cannot be exercised until it becomes vested. The Plan Administrator establishes the vesting schedule of each stock appreciation right at the time of grant. Stock appreciation rights granted under the 1999 Plan expire at the times established by the Plan Administrator, but not later than seven (7) years after the grant date.

Stock Issuance Program

Stock issuances are awards where shares are or will be issued to a participant and the participant's right to retain or receive such shares will vest in accordance with the terms and conditions established by the Plan Administrator. RSUs are awards that will result in a payment to a participant only if the performance goals or other vesting criteria established by the Plan Administrator are achieved or the awards otherwise vest. The number of shares covered by a stock issuance award or restricted stock unit awards will be determined by the Plan Administrator, but during any calendar year no participant may be granted an award covering more than 200,000 shares. No more than 8,893,237 shares plus the sum of (i) 50% of the number of shares subject to outstanding awards as of August 17, 2009 that are cancelled and returned to the 1999 Plan pursuant to its terms, and (ii) 50% of the number of shares that are added to the 1999 Plan upon approval of the stockholders after the 2009 Annual Meeting, (which includes shares being added to the 1999 Plan pursuant to this proposal), may be issued pursuant to awards under the Stock Issuance and Performance Share and Performance Unit Programs and pursuant to RSUs issued under the Automatic Award Program. In determining whether an award should be made and/or the vesting schedule for any such award, the Plan Administrator may impose whatever conditions to vesting as it determines to be appropriate. For example, the Plan Administrator may determine to make an award only if the participant satisfies performance goals established by the Plan Administrator.

Performance Share and Performance Unit Program

Performance shares and performance units are awards that will result in a payment to a participant only if the performance goals or other vesting criteria established by the Plan Administrator are achieved or the awards otherwise vest. The Plan Administrator will establish organizational, individual performance goals or other vesting criteria at its discretion, which, depending on the extent to which they are met, will determine the number and/or the value of performance units and performance shares to be paid to participants. No participant will receive performance units with an initial value greater than \$2,000,000 and no participant will receive more than 200,000 performance shares during any calendar year. Performance units will have an initial dollar value established by the Plan Administrator prior to the grant date. Performance shares will have an initial value equal to the fair market value of a share on the grant date. No more than 8,893,237 shares plus the sum of (i) 50% of the number of shares subject to outstanding awards as of August 17, 2009 that are cancelled and returned to the 1999 Plan pursuant to its terms, and (ii) 50% of the number of shares that are added to the 1999 Plan upon approval of the stockholders after the 2009 Annual Meeting, (which includes shares being added to the 1999 Plan pursuant to this proposal), may be issued pursuant to awards under the Stock Issuance and Performance Share and Performance Unit Programs and pursuant to RSUs issued under the Automatic Award Program.

Performance Goals

The Plan Administrator (at its discretion) may make performance goals applicable to a participant with respect to an award intended to qualify as performance-based compensation under Code Section 162(m). At the Plan Administrator's discretion, one or more of the following performance goals will apply: annual revenue, cash position,

earnings per share, individual objectives, net income, cash flow from operations, operating profit, return on assets, return on equity, return on sales and total stockholder return. The Plan Administrator may utilize other performance criteria for awards not intended to qualify as performance-based compensation under Code Section 162(m).

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Automatic Award Program

The terms of the 1999 Plan provide that our nonemployee directors will automatically receive annual equity grants. The Plan Administrator may institute a program whereby a nonemployee director may elect to receive his or her automatic equity grants either in the form of all stock options or in a combination of stock options and RSUs, at the nonemployee director's discretion. Nonemployee directors are also eligible to receive discretionary awards pursuant to the other equity programs under the 1999 Plan.

The Plan Administrator, in its discretion, may change and otherwise revise the terms of awards granted pursuant to the Automatic Award Program for awards granted on or after the date the Plan Administrator makes such change.

Pursuant to the terms of the Automatic Award Program, each new individual who is first elected or appointed as a nonemployee director on or after the date of the 2009 Annual Meeting, will automatically receive, on the date of his or her initial election or appointment to the Board, an award (the "Initial Award") of either (i) a nonstatutory stock option to purchase 55,000 shares, or (ii) if the Plan Administrator permits and the nonemployee director makes a timely election in accordance with the provisions of the 1999 Plan, a nonstatutory stock option to purchase 27,500 shares and 9,166 RSUs. On the date of each annual stockholder meeting beginning with the 2009 Annual Meeting, each nonemployee director who is to continue to serve as a nonemployee director and who has been a nonemployee director for at least six (6) months automatically receives an award (an "Annual Award") of either (i) a nonstatutory stock option to purchase 20,000 shares, or (ii) if the Plan Administrator permits and the nonemployee director makes a timely election in accordance with the provisions of the 1999 Plan, a nonstatutory stock option to purchase 10,000 shares and 3,333 RSUs.

The exercise price of each option granted to a nonemployee director is equal to 100% of the fair market value of the shares covered by the option on the date of grant. The shares subject to each nonstatutory stock option granted pursuant to an Initial Award is scheduled to vest over four (4) years, with five-elevenths of such shares vesting upon the nonemployee director's completion of one (1) year of Board service measured from the option grant date and the remaining balance vesting in three (3) equal annual installments over the three (3) year period measured from the first anniversary of the option grant date (assuming that he or she remains a nonemployee director on each scheduled vesting date). The shares subject to each nonstatutory stock option granted pursuant to an Annual Award shall become 100% vested on the day preceding the next annual stockholders meeting following the grant date subject to the nonemployee director's continued service on such date. An option granted under the Automatic Award Program is immediately exercisable. However, any shares purchased under the option program are subject to repurchase by the Company if the nonemployee director ceases Board service prior to vesting. If a nonemployee director terminates his or her service on the Board due to death or disability his or her options would immediately vest.

Options granted to nonemployee directors generally expire no later than seven (7) years after the date of grant. If a nonemployee director terminates his or her service on the Board prior to an option's normal expiration date, the option will remain exercisable for twelve (12) months to the extent it has vested. However, the option may not be exercised later than the original expiration date.

RSUs granted under the Automatic Award Program shall have a value equal to the fair market value of the shares on the grant date. RSUs granted pursuant to an Initial Award vest over four (4) years, with 4,165 RSUs vesting upon the completion of the nonemployee director's first year of service on the Board measured from the RSU grant date and the remaining balance of 5,001 RSUs vesting in three (3) equal annual installments of 1,667 RSUs over the three (3) year period measured from the first anniversary of the RSU grant date (assuming that he or she remains a nonemployee director on each scheduled vesting date). All RSUs granted pursuant to an Annual Award become 100% vested on the day preceding the next annual stockholders meeting following the grant date subject to the nonemployee director's continued service on such date. If a nonemployee director terminates his or her service on the Board due to death or

disability, 100% of his or her unvested RSUs would immediately vest. Additionally, the Board (or its authorized designee) may provide that holders of RSUs granted pursuant to the Automatic Award Program be permitted to defer the delivery of the proceeds from vested RSUs to the extent that such deferral satisfies the requirements of the U.S. tax code.

Table of Contents**Awards to be Granted to Certain Individuals and Groups**

The number of awards that an employee, nonemployee director, or consultant, may receive under the 1999 Plan is at the discretion of the Plan Administrator and therefore cannot be determined in advance. The following table sets forth (1) the aggregate number of shares subject to options granted under the 1999 Plan during fiscal 2010, (2) the average per share exercise price of such options, (3) the aggregate number of shares subject to awards of RSUs granted under the 1999 Plan during fiscal 2010, and (4) the dollar value of such shares based on \$37.68 per Share, the fair market value on May 28, 2010.

AMENDED PLAN BENEFITS
1999 Plan

Name of Individual or Group	Number of Options Granted	Average per Share Exercise Price	Number of Restricted Stock Units Granted	Dollar Value of Restricted Stock Units Granted
Thomas Georgens Chief Executive Officer and President	900,000	\$ 23.60	83,333	\$ 3,139,987
Steven J. Gomo Executive Vice President Finance and Chief Financial Officer	100,000	\$ 20.69	33,333	\$ 1,225,987
Manish Goel(1) Executive Vice President Product Operations	50,000	\$ 20.69	86,094	\$ 3,244,022
Robert E. Salmon Executive Vice President Field Operations	125,000	\$ 20.69	41,667	\$ 1,570,013
Andrew Kryder(2) Senior Vice President and General Counsel	40,000	\$ 20.69	40,116	\$ 1,511,571
Daniel J. Warmenhoven Executive Chairman and Executive Chairman of the Board	550,000	\$ 20.69		\$
Thomas F. Mendoza Vice Chairman	100,000	\$ 20.69	33,333	\$ 1,225,987
Nicholas Moore Lead Independent Director	20,000	\$ 29.50	3,333	\$ 125,587
Jeffry Allen Director	15,000	\$ 29.50	3,333	\$ 125,587
Alan Earhart Director	15,000	\$ 29.50	3,333	\$ 125,587
Gerald Held Director	27,500	\$ 33.83	9,166	\$ 345,375
Mark Leslie Director	10,000	\$ 29.50	3,333	\$ 125,587
T. Michael Nevens Director	55,000	\$ 33.83		\$
George Shaheen Director	10,000	\$ 29.50	3,333	\$ 125,587
Donald T. Valentine	10,000	\$ 29.50	3,333	\$ 125,587

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Director Robert Wall	25,000	\$ 29.50		\$
Director All current executive officers, as a group (5 persons)	1,215,000	\$ 22.85	284,543	\$ 5,834,515
All directors who are not executive officers, as a group (10 persons)	737,500	\$ 23.41	29,164	\$ 1,098,900
All employees, including current officers who are not executive officers, as a group (6,310 persons)	5,226,043	\$ 28.40	6,009,567(3)	\$ 226,440,485

(1) Mr. Goel received 19,427 RSUs with a dollar value of \$732,009, as part of a stockholder approved stock option-for-RSU exchange program, whereby certain eligible options were surrendered for cancellation in exchange for a reduced number of RSUs with an adjusted vesting schedule.

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- (2) Mr. Kryder received 26,783 RSUs with a value of \$1,009,183, as part of a stockholder approved stock option-for-RSU exchange program, whereby certain eligible options were surrendered for cancellation in exchange for a reduced number of RSUs with an adjusted vesting schedule.
- (3) 3,179,668 RSUs with a value of \$119,809,890 were granted as part of a stockholder-approved stock option-for-RSU exchange program, whereby certain eligible options were surrendered for cancellation in exchange for a reduced number of RSUs with an adjusted vesting schedule.

Limited Transferability of Awards

Options granted under the 1999 Plan generally may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the applicable laws of descent and distribution. However, participants may, in a manner specified by the Plan Administrator, transfer nonstatutory stock options (1) to a member of the participant's family, (2) to a trust or other entity for the sole benefit of the participant and/or a member of his or her family, or (3) to a former spouse pursuant to a domestic relations order.

Federal Tax Aspects

The following paragraphs are a summary of the general federal income tax consequences to U.S. taxpayers and the Company of awards granted under the 1999 Plan. Tax consequences for any particular individual may be different.

Nonstatutory Stock Options

No taxable income is reportable when a nonstatutory stock option is granted to a participant. Upon exercise, the participant will recognize ordinary income in an amount equal to the excess of the fair market value (on the exercise date) of the shares purchased over the exercise price of the option. Any taxable income recognized in connection with an option exercise by an employee of the Company is subject to tax withholding by the Company. Any additional gain or loss recognized upon any later disposition of the shares would be capital gain or loss.

As a result of Section 409A of the Code and the Treasury regulations promulgated thereunder (Section 409A), nonstatutory stock options granted with an exercise price below the fair market value of the underlying stock or with a deferral feature may be taxable to the recipient in the year of vesting in an amount equal to the difference between the then fair market value of the underlying stock and the exercise price of such awards and may be subject to an additional 20% tax plus penalties and interest. In addition, certain states, such as California, have adopted similar tax provisions.

Incentive Stock Options

No taxable income is reportable when an incentive stock option is granted or exercised (except for purposes of the alternative minimum tax, in which case taxation is the same as for nonstatutory stock options). If the participant exercises the option and then later sells or otherwise disposes of the shares more than two (2) years after the grant date and more than one (1) year after the exercise date, the difference between the sale price and the exercise price will be taxed as capital gain or loss. If the participant exercises the option and then later sells or otherwise disposes of the shares before the end of the two (2) year or one (1) year holding periods described above, he or she generally will have ordinary income at the time of the sale equal to the fair market value of the shares on the exercise date (or the sale price, if less) minus the exercise price of the option.

Stock Appreciation Rights

No taxable income is reportable when a stock appreciation right is granted to a participant. Upon exercise, the participant will recognize ordinary income in an amount equal to the amount of cash received and the fair market value of any shares received. Any additional gain or loss recognized upon any later disposition of the shares would be capital gain or loss.

As a result of Section 409A of the Code, however, stock appreciation rights granted with an exercise price below the fair market value of the underlying stock or with a deferral feature may be taxable to the recipient in the

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year of vesting in an amount equal to the difference between the then fair market value of the underlying stock and the exercise price of such options and may be subject to an additional 20% tax plus penalties and interest. In addition, certain states, such as California, have adopted similar tax provisions.

Stock Issuance, Restricted Stock Units, Performance Units and Performance Shares

A participant generally will not have taxable income at the time an award of stock, RSUs, performance shares or performance units is granted. Instead, he or she will recognize ordinary income in the first taxable year in which his or her interest in the shares underlying the award becomes either (1) freely transferable or (2) no longer subject to substantial risk of forfeiture. However, the recipient of an award of restricted stock may elect to recognize income at the time he or she receives the award in an amount equal to the fair market value of the shares underlying the award (less any cash paid for the shares) on the date the award is granted and the recipient of a RSU granted pursuant to the Annual Award Program may be permitted to elect in accordance with federal tax laws when he or she will receive the payout from his or her earned RSUs and defer income taxation until the award is paid.

Tax Effect for the Company

The Company generally will be entitled to a tax deduction in connection with an award under the 1999 Plan in an amount equal to the ordinary income realized by a participant and at the time the participant recognizes such income (for example, the exercise of a nonstatutory stock option). Special rules limit the deductibility of compensation paid to our Chief Executive Officer (CEO) and to certain other of our most highly compensated executive officers. Under Section 162(m) of the Code, the annual compensation paid to any of these specified executive officers will be deductible only to the extent that it does not exceed \$1,000,000. However, the Company can preserve the deductibility of certain compensation in excess of \$1,000,000 if the conditions of Section 162(m) are met. These conditions include stockholder approval of the 1999 Plan, setting limits on the number of awards that any individual may receive and for awards other than stock options, establishing performance criteria that must be met before the award actually will vest or be paid. The 1999 Plan has been designed to permit the Plan Administrator to grant awards that qualify as performance-based compensation for purposes of satisfying the conditions of Section 162(m), thereby permitting the Company to continue to receive a federal income tax deduction in connection with such awards.

Amendment and Termination of the Plan

The Board or the Primary Committee (as defined in the 1999 Plan) generally may amend or terminate the 1999 Plan at any time and for any reason, subject to stockholder approval if applicable.

Summary

The 1999 Plan is designed to assist us in recruiting, motivating and retaining talented employees who help us achieve our business goals, including creating long-term value for stockholders. We strongly believe that the amendment to the 1999 Plan to increase the number of shares we can use to grant awards is essential for us to compete for talent in the very competitive labor markets in which we operate.

Vote Required

The affirmative vote by a majority of the Votes Cast is required to approve this proposal. The effect of an abstention is the same as that of a vote against the proposal. Unless you indicate otherwise, your proxy will vote FOR the proposal.

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**The Board of Directors Unanimously Recommends That Stockholders
Vote FOR Proposal No. 2**

PROPOSAL NO. 3:

AMENDMENT TO THE COMPANY'S EMPLOYEE STOCK PURCHASE PLAN

Introduction

The Company is asking the stockholders to approve amendments to the Company's Employee Stock Purchase Plan (Purchase Plan), which will increase the number of shares authorized for issuance under the Purchase Plan by an additional 5,000,000 shares, clarify the Plan Administrator's discretion to determine eligibility requirements and remove the Purchase Plan's fixed-term expiration date, which is currently set at the last business day in May 2011.

We are asking our stockholders to increase the number of shares authorized for issuance under the Purchase Plan to ensure that the Company will continue to have a sufficient reserve of shares of the Company's common stock available under the Purchase Plan to provide eligible employees of the Company and its participating affiliates (whether now existing or subsequently established) with the opportunity to purchase shares at semiannual intervals through their accumulated periodic payroll deductions. We are asking our stockholders to approve the addition of language to the eligibility section that clarifies the Plan Administrator's authority to determine Purchase Plan eligibility, and we are asking our stockholders to approve the removal of the Purchase Plan's fixed-term expiration date so that the Purchase Plan will remain in effect after May 2011.

The Purchase Plan was adopted by the Board on September 26, 1995, and became effective on November 20, 1995, in connection with the Company's initial public offering of its common stock.

The terms and provisions of the Purchase Plan, as most recently amended, are summarized below. This summary, however, does not purport to be a complete description of the Purchase Plan. The Purchase Plan is set forth in its entirety and has been filed as Appendix B to this Proxy Statement with the SEC. The following summary is qualified in its entirety by reference to the complete text of the Purchase Plan. Any stockholder who wants to obtain a copy of the actual plan document may do so by written request to the Corporate Secretary at the Company's principal offices in Sunnyvale, California.

Description of the Purchase Plan

The Purchase Plan is administered by the Compensation Committee of the Board, serving as the plan administrator. As plan administrator, such committee has full authority to adopt administrative rules and procedures and to interpret the provisions of the Purchase Plan.

Share Reserve

If Proposal No. 3 is approved, the maximum number of shares reserved for issuance over the term of the Purchase Plan will be limited to 35,200,000 shares. As of May 28, 2010, 27,975,212 shares had been issued under the Purchase Plan, and 2,224,788 shares were available for future issuance. The closing price of our common stock was \$37.68 on May 28, 2010.

The shares issuable under the Purchase Plan may be made available from authorized but unissued shares or from shares of common stock reacquired by the Company, including shares purchased on the open market.

In the event that any change is made to the outstanding common stock (whether by reason of any stock split, stock dividend, recapitalization, exchange or combination of shares or other change affecting the outstanding common stock as a class without the Company's receipt of consideration), appropriate adjustments will be made to (1) the maximum number and class of securities issuable under the Purchase Plan, (2) the maximum number and class of securities purchasable per participant on any one semiannual purchase date, (3) the maximum number of shares purchasable in total by all participants on any one purchase date (if applicable) and (4) the number and class of securities subject to each outstanding purchase right and the purchase price per share in effect thereunder. Such

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adjustments will be designed to preclude any dilution or enlargement of benefits under the Purchase Plan or the outstanding purchase rights thereunder.

Offering Period and Purchase Rights

Shares are offered under the Purchase Plan through a series of overlapping offering periods, each with a maximum duration of twenty-four (24) months. Such offering periods will begin on the first business day of June and on the first business day of December each year over the term of the Purchase Plan. Accordingly, two (2) separate offering periods will begin in each calendar year.

Each offering period will consist of a series of one or more successive purchase intervals. Purchase intervals will run from the first business day in June to the last business day in November each year and from the first business day in December each year to the last business day in May in the immediately succeeding year. Accordingly, shares will be purchased on the last business day in May and November each year with the payroll deductions collected from the participants for the purchase interval ending with each such semiannual purchase date.

If the fair market value per share of common stock on any semiannual purchase date within a particular offering period is less than the fair market value per share of common stock on the start date of that offering period, then the participants in that offering period will automatically be transferred from that offering period after the semiannual purchase of shares on their behalf and enrolled in the new offering period which begins on the next business day following such purchase date.

Eligibility and Participation

Any individual who is employed on a basis under which he or she is regularly expected to work for more than twenty (20) hours per week for more than five (5) months per calendar year in the employ of the Company or any participating parent or subsidiary corporation (including any corporation which subsequently becomes such at any time during the term of the Purchase Plan) (or any lesser number of hours per week and/or number of months in any calendar year established by the Plan Administrator in accordance with applicable law and the provisions of the Purchase Plan) is eligible to participate in the Purchase Plan.

An individual who is an eligible employee on the start date of any offering period may join that offering period by properly electing to participate in the offering period pursuant to procedures established by the Plan Administrator in accordance with the terms of the Purchase Plan. However, no employee may participate in more than one offering period at a time.

As of May 28, 2010, approximately 8,515 employees, including all five of our executive officers, were eligible to participate in the Purchase Plan.

Purchase Price

The purchase price of the shares purchased on behalf of each participant on each semiannual purchase date will be equal to 85% of the lower of (1) the fair market value per share on the start date of the offering period in which the participant is enrolled or (2) the fair market value on the semiannual purchase date.

The fair market value per share on any particular date under the Purchase Plan will be deemed to be equal to the closing selling price per share on such date reported on the NASDAQ Global Select Market. On May 28, 2010, the closing selling price per share of the Company's common stock on the NASDAQ Global Select Market was \$37.68 per share.

Payroll Deductions and Stock Purchases

Each participant may authorize periodic payroll deductions in any multiple of 1% up to a maximum of 10% of his or her total cash earnings (generally base salary, bonuses, overtime pay and commissions) to be applied to the acquisition of shares at semiannual intervals. Accordingly, on each semiannual purchase date (the last business day in May and November each year), the accumulated payroll deductions of each participant will automatically be applied to the purchase of whole shares at the purchase price in effect for the participant for that purchase date.

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Special Limitations

The Purchase Plan imposes certain limitations upon a participant's rights to acquire common stock, including the following limitations:

Purchase rights granted to a participant may not permit such individual to purchase more than \$25,000 worth of shares (valued at the time each purchase right is granted) for each calendar year those purchase rights are outstanding.

Purchase rights may not be granted to any individual if such individual would, immediately after the grant, own or hold outstanding options or other rights to purchase stock possessing 5% or more of the total combined voting power or value of all classes of stock of the Company or any of its affiliates.

No participant may purchase more than 1,500 shares on any one purchase date.

The Plan Administrator will have the discretionary authority to increase, decrease, or implement the per participant and any total participant limitations prior to the start date of any new offering period under the Purchase Plan.

Withdrawal Rights and Termination of Employment

The participant may withdraw from the Purchase Plan at any time (subject to the Plan Administrator's authority to designate a different withdrawal date in accordance with the provisions of the Purchase Plan), and his or her accumulated payroll deductions may either be applied to the purchase of shares on the next semiannual purchase date or refunded.

Upon the participant's cessation of employment or loss of eligible employee status, payroll deductions will automatically cease. Any payroll deductions which the participant may have made for the semiannual period in which such cessation of employment or loss of eligibility occurs will be immediately refunded.

Stockholder Rights

No participant will have any stockholder rights with respect to the shares covered by his or her purchase rights until the shares are actually purchased on the participant's behalf. No adjustment will be made for dividends, distributions or other rights for which the record date is prior to the date of such purchase.

Assignability

Purchase rights are not assignable or transferable by the participant and may be exercised only by the participant.

Change in Control

In the event a change in control occurs, all outstanding purchase rights will automatically be exercised immediately prior to the effective date of such change. The purchase price in effect for each participant will be equal to 85% of the lower of (1) the fair market value per share on the start date of the offering period in which the participant is enrolled at the time the change in control occurs or (2) the fair market value per share immediately prior to the effective date of such change in control.

A *change in control* will be deemed to occur if (1) the Company is acquired through a merger or consolidation in which more than 50% of the Company's outstanding voting stock is transferred to a person or persons different from

those who held stock immediately prior to such transaction; (2) the Company sells, transfers or disposes of all or substantially all of its assets; or (3) any person or related group of persons acquires ownership of securities possessing more than 50% of the total combined voting power of the Company's outstanding securities pursuant to a tender or exchange offer made directly to the Company's stockholders.

Share Proration

Should the total number of shares to be purchased pursuant to outstanding purchase rights on any particular date exceed either (1) the maximum number of shares purchasable in total by all participants on any one purchase date (if applicable) or (2) the number of shares then available for issuance under the Purchase Plan, then the Plan

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Administrator will make a pro-rata allocation of the available shares on a uniform and nondiscriminatory basis. In such an event, the Plan Administrator will refund the accumulated payroll deductions of each participant, to the extent in excess of the purchase price payable for the shares prorated to such individual.

Amendment and Termination

If stockholders approve this Proposal No. 3, the Purchase Plan will terminate upon the earliest of (1) the date on which all shares available for issuance thereunder are sold pursuant to exercised purchase rights or (2) the date on which all purchase rights are exercised in connection with a change in control.

The Board may at any time alter, amend, suspend or discontinue the Purchase Plan and will seek stockholder approval of any changes to the extent necessary to comply with the Internal Revenue Code or other applicable law, regulation or stock exchange rule.

Plan Benefits

The table below shows, as to the named executive officers (NEOs) and specified groups, the number of shares purchased under the Purchase Plan during fiscal 2010, together with the value of those shares as of the date of purchase.

Participation in the Purchase Plan

Participation in the Purchase Plan is voluntary and dependent on each eligible employee's election to participate and his or her determination as to the level of payroll deductions. Accordingly, future purchases under the Purchase Plan are not determinable. Nonemployee directors are not eligible to participate in the Purchase Plan. The following table sets forth certain information regarding shares purchased under the Purchase Plan during the last fiscal year for each of the NEOs, for all current executive officers as a group and for all other employees who participated in the Purchase Plan as a group:

**AMENDED PLAN BENEFITS
Employee Stock Purchase Plan**

Name	Number of Purchased Shares	Dollar Value of Purchased Shares(1)
Thomas Georgens Chief Executive Officer and President	2,048	\$ 24,879
Steven J. Gomo Executive Vice President Finance and Chief Financial Officer	2,047	\$ 24,858
Manish Goel Executive Vice President Product Operations	2,047	\$ 24,858
Robert E. Salmon Executive Vice President Field Operations	2,048	\$ 24,879
Andrew Kryder Senior Vice President and General Counsel	2,047	\$ 24,858
Daniel J. Warmenhoven Executive Chairman	2,048	\$ 24,879

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Thomas F. Mendoza
Vice Chairman

All current executive officers as a group (5 persons)	10,237	\$ 124,332
All employees, including current officers who are not executive officers, as a group (5,051 persons)	5,063,510	\$ 74,646,794

(1) Market Value of shares on date of purchase, minus the purchase price under the Purchase Plan

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New Plan Benefits

No purchase rights have been granted, and no shares have been issued, on the basis of the 5,000,000 share increase that is the subject of this Proposal No. 3.

Federal Tax Consequences

The Purchase Plan is intended to be an employee stock purchase plan within the meaning of Section 423 of the Code. Under an employee stock purchase plan, which so qualifies, no taxable income will be recognized by a participant, and no deductions will be allowable to the Company, upon either the grant or the exercise of the purchase rights. Taxable income will not be recognized until there is a sale or other disposition of the shares acquired under the Purchase Plan or in the event the participant should die while still owning the purchased shares.

If the participant sells or otherwise disposes of the purchased shares within two (2) years after the start date of the offering period in which such shares were acquired or within one (1) year after the actual semiannual purchase date of those shares, then the participant will recognize ordinary income in the year of sale or disposition equal to the amount by which the fair market value of the shares on the purchase date exceeded the purchase price paid for those shares, and the Company will be entitled to an income tax deduction, for the taxable year in which such disposition occurs equal in amount to such excess. The participant will also recognize capital gain equal to the amount by which the amount realized upon the sale or disposition exceeds the sum of the aggregate purchase price paid for the shares and the ordinary income recognized in connection with their acquisition.

If the participant sells or disposes of the purchased shares more than two (2) years after the start date of the offering period in which the shares were acquired and more than one (1) year after the actual semiannual purchase date of those shares, then the participant will recognize ordinary income in the year of sale or disposition equal to the lesser of (1) the amount by which the fair market value of the shares on the sale or disposition date exceeded the purchase price paid for those shares or (2) 15% of the fair market value of the shares on the start date of that offering period. Any additional gain upon the disposition will be taxed as a long-term capital gain. The Company will not be entitled to an income tax deduction with respect to such disposition.

If the participant still owns the purchased shares at the time of death, the lesser of (1) the amount by which the fair market value of the shares on the date of death exceeds the purchase price or (2) 15% of the fair market value of the shares on the start date of the offering period in which those shares were acquired will constitute ordinary income in the year of death.

Summary

The Board believes that it is in the best interests of the Company to continue to provide employees with the opportunity to acquire an ownership interest in the Company through their participation in the Purchase Plan and thereby encourage them to remain in the Company's employ and more closely align their interests with those of the stockholders.

Vote Required

The affirmative vote of a majority of the Votes Cast is required for approval of the amendment to the Purchase Plan described in this Proposal No. 3. Should such stockholder approval not be obtained, the 5,000,000 share increase, which is the subject of this Proposal, will not be implemented, the clarifying changes to the eligibility provisions will not be made, and the Purchase Plan will expire in May 2011. Unless you indicate otherwise, your proxy will be voted

FOR the proposal.

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**The Board of Directors Unanimously Recommends That Stockholders
Vote FOR Proposal No. 3**

PROPOSAL NO. 4:

RATIFICATION OF INDEPENDENT AUDITORS

The Company is asking the stockholders to ratify the selection of Deloitte & Touche LLP as the Company's independent auditors for the fiscal year ending April 29, 2011.

In the event the stockholders fail to ratify the appointment, the Audit Committee of the Board of Directors will consider it as a direction to select other auditors for the subsequent year. Even if the selection is ratified, the Audit Committee at its discretion may direct the appointment of a different independent accounting firm at any time during the year if the Board determines that such a change would be in the best interest of the Company and its stockholders.

A representative of Deloitte & Touche LLP is expected to be present at the Annual Meeting, will have the opportunity to make a statement if he or she desires to do so, and will be available to respond to appropriate questions.

Vote Required

The affirmative vote by a majority of the Votes Cast is required to ratify the selection of Deloitte & Touche LLP. The effect of an abstention is the same as that of a vote against the proposal. Unless you indicate otherwise, your proxy will be voted FOR the proposal.

**The Board of Directors Unanimously Recommends That Stockholders
Vote FOR Proposal No. 4**

**SECURITY OWNERSHIP OF CERTAIN
BENEFICIAL OWNERS AND MANAGEMENT**

To the Company's knowledge, the following table sets forth certain information regarding beneficial ownership of the Company's common stock as of May 28, 2010 by (1) each person or entity who is known by the Company to own beneficially more than 5% of the Company's common stock, (2) each of the Company's directors and nominees for director, (3) each of the Company's executive officers set forth in the Summary Compensation Table of the Compensation of Executive Officers section of this Proxy Statement, and (4) all of the Company's current directors and executive officers as a group.

Except as indicated, the address of the beneficial owners is c/o NetApp, Inc., 495 East Java Drive, Sunnyvale, California 94089. Information related to holders of more than 5% of the Company's common stock was obtained from filings with the SEC pursuant to Sections 13(d) or 13(g) of the Exchange Act.

Title of Class	Name of Beneficial Owner	Number of Shares Beneficially Owned	Percentage of Class(1)
Common Stock	Prudential Financial, Inc.(2) 751 Broad Street	23,636,070	6.74%

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Newark, NJ 07102 Jennison Associates(3) 466 Lexington Avenue New York, NY 10017	23,113,684	6.59%
BlackRock, Inc.(4) 40 East 52nd Street New York, NY 10022	22,182,088	6.32%
Wellington Management Company, LLP(5) 75 State Street Boston, MA 02109	19,548,692	5.57%

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Title of Class	Name of Beneficial Owner	Number of Shares Beneficially Owned	Percentage of Class(1)
	FMR, LLC(6) 82 Devonshire Street Boston, MA 02109	18,003,636	5.13%
	Thomas Georgens(7)	905,900	*
	Steven J. Gomo(8)	607,096	*
	Manish Goel(9)	10,525	*
	Robert F. Salmon(10)	764,222	*
	Andrew Kryder(11)	118,991	*
	Daniel J. Warmenhoven(12)	6,399,917	1.82%
	Thomas F. Mendoza(13)	880,521	*
	Nicholas G. Moore(14)	115,000	*
	Jeffrey R. Allen(15)	371,580	*
	Alan L. Earhart(16)	85,000	*
	Gerald Held(17)	27,759	*
	Mark Leslie(18)	112,500	*
	T. Michael Nevens(19)	55,000	*
	George T. Shaheen(20)	140,000	*
	Donald T. Valentine(21)	792,000	*
	Robert T. Wall(22)	370,071	*
	All current directors and executive officers as a group (15 persons)(23)	10,875,561	3.10%

* Less than 1%

- (1) Percentage of Class is based on 350,916,105 shares of common stock outstanding on May 28, 2010. Shares of common stock subject to stock options that are currently exercisable or will become exercisable within 60 days of May 28, 2010 are deemed outstanding for computing the percentage of the person or group holding such options, but are not deemed outstanding for computing the percentage of any other person or group. Except as indicated in the footnotes to this table and pursuant to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all shares of common stock.
- (2) Information is based on a Schedule 13G filed with the SEC on February 12, 2010 by Prudential Financial, Inc. (Prudential), a New Jersey corporation, on behalf of itself. The principal Prudential business office is located at 751 Broad Street, Newark, NJ 07102. Prudential, in its capacity as a parent holding company, may be deemed to beneficially own 23,636,070 shares that are beneficially owned by its subsidiaries. Prudential has the sole power to vote or to direct the vote of 541,513 shares, the shared power to vote or to direct the vote of 16,176,562 shares, the sole power to dispose or direct the disposition of 541,513 shares, and the shared power to dispose or to direct the disposition of 23,094,557 shares. Because Prudential indirectly owns 100% of the equity interests of Jennison Associates LLC, Prudential may be deemed to have the power to exercise or direct the exercise of the voting and dispositive power that Jennison may be deemed to have with respect to the shares owned by the portfolio managed by Jennison. Jennison does not file jointly with Prudential; therefore, the shares reported on Jennison's Schedule 13G may be included in the shares reported on Prudential's Schedule 13G. See footnote (3) below.

- (3) Information is based on a Schedule 13G filed with the SEC on February 12, 2010 by Jennison Associates, LLC (Jennison), a New York limited liability company, on behalf of itself. The principal Jennison business office is located at 466 Lexington Avenue, New York, NY 10017. Jennison, in its capacity as an investment advisor, may be deemed to beneficially own 23,113,684 shares that are held of record by clients of Jennison. Jennison has the sole power to vote or direct the vote of 16,243,289 shares, and the shared power to dispose or direct the

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disposition of 23,113,684 shares. Because Prudential Financial, Inc. indirectly owns 100% of the equity interests of Jennison, Prudential may be deemed to have the power to exercise or direct the exercise of the voting and dispositive power that Jennison may be deemed to have with respect to the shares owned by the portfolio managed by Jennison. Jennison does not file jointly with Prudential; therefore, the shares reported on Jennison's Schedule 13G may be included in the shares reported on Prudential's Schedule 13G. See footnote (2) above.

- (4) Information is based on a Schedule 13G filed with the SEC on January 29, 2010 by BlackRock, Inc. (BlackRock), a New York company on behalf of itself. The principal BlackRock business office is located at 40 East 52nd Street, New York, NY 10022. On December 1, 2009, BlackRock completed its acquisition of Barclays Global Investors (BGI) from Barclays Bank PLC. As a result, substantially all of the BGI Entities are now included as subsidiaries of BlackRock for purposes of Schedule 13G filings. BlackRock, in its capacity as a parent holding company, may be deemed to beneficially own 22,182,088 shares that are beneficially owned by its subsidiaries. BlackRock has the sole voting power to vote or direct the vote of 22,182,088 shares, and the shared power to dispose or direct the disposition of 22,182,088 shares.
- (5) Information is based on a Schedule 13G/A filed with the SEC on February 12, 2010 by Wellington Management Company, LLP (Wellington), a Massachusetts corporation, on behalf of itself. The principal Wellington business office is located at 75 State Street, Boston, MA 02109. Wellington, in its capacity as an investment advisor, may be deemed to beneficially own 19,548,692 shares which are held of record by clients of Wellington. Wellington has the shared power to vote or to direct the vote of 12,569,625 shares, and the shared power to dispose or to direct the disposition of 19,508,562 shares.
- (6) Information is based on a Schedule 13G filed with the SEC on February 16, 2010 by FMR LLC (FMR), a Delaware limited liability company, on behalf of itself. The principal FMR business office is located at 82 Devonshire Street, Boston, MA 02109. FMR, in its capacity as a parent holding company, may be deemed to beneficially own 18,003,633 shares that are beneficially owned by its subsidiaries. FMR has the sole power to vote or direct the vote of 4,029,405 shares, and the sole power to dispose or direct the disposition of 18,003,633 shares.
- (7) Includes 285,416 shares of common stock issuable upon exercise of options granted under the 1995 Plan; and 603,791 shares of common stock issuable upon exercise of options granted under the 1999 Plan, each of which is currently exercisable or will become exercisable within 60 days of May 28, 2010.
- (8) Includes 80,000 shares of common stock issuable upon exercise of options granted under the 1995 Plan and 514,686 shares of common stock issuable upon exercise of options granted under the 1999 Plan, each of which is currently exercisable or will become exercisable within 60 days of May 28, 2010.
- (9) Includes 3,333 shares of common stock issuable upon exercise of options and 5,692 shares of common stock issuable upon vesting of RSUs granted under the 1999 Plan, each of which is currently exercisable or will become exercisable/issuable within 60 days of May 28, 2010.
- (10) Includes 7,512 shares held by Robert Salmon and Patricia Mertens-Salmon, trustees to the Salmon Trust; and 240 shares held by Patricia Mertens-Salmon, Custodian under UTMA CA. Includes 170,936 shares of common stock issuable upon exercise of options granted under the 1995 Plan and 574,486 shares of common stock issuable upon exercise of options granted under the 1999 Plan, each of which is exercisable or will become exercisable within 60 days of May 28, 2010.
- (11)

Includes 55,270 shares of common stock issuable upon exercise of options granted under the 1995 Plan and 15,833 shares of common stock issuable upon exercise of options and 8,699 shares of common stock issuable upon vesting of RSU s granted under the 1999 Plan, each of which is currently exercisable or will become exercisable/issuable within 60 days of May 28, 2010.

- (12) Includes 2,499,835 shares held by Daniel J. Warmenhoven and Charmaine A. Warmenhoven, trustees to The Warmenhoven 1987 Revocable Trust, of which Mr. Warmenhoven is a trustee and shares voting and investment powers. Also includes 170,000 shares held by Warmenhoven Ventures LP, a limited partnership of which the Warmenhoven Management Trust is the general partner, of which Mr. Warmenhoven is a trustee. Excludes 78,962 shares held by Richard A. Andre, trustee to the Daniel J. Warmenhoven 1991 Children s Trust, as Mr. Warmenhoven disclaims beneficial ownership of the shares held by this trust. Includes 409,602 shares of common stock issuable upon exercise of options granted under the 1995 Plan; and

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3,270,393 shares of common stock issuable upon exercise of options granted under the 1999 Plan, each of which are currently exercisable or will become exercisable with 60 days of May 28, 2010.

- (13) Includes 6,364 shares of common stock issuable upon exercise of options granted under the 1995 Plan and 345,834 shares of common stock issuable upon exercise of options granted under the 1999 Plan, each of which is currently exercisable or will become exercisable within 60 days of May 28, 2010.
- (14) Includes 15,000 shares of common stock issuable upon exercise of currently exercisable options granted under the 1995 Plan, of which 5,000 shares are held by Nicholas G. Moore and 10,000 shares are held by The Moore Family Ventures LP, of which Mr. Moore is General Partner. Also includes 100,000 shares of common stock issuable upon exercise of currently exercisable options granted under the 1999 Plan, of which 65,000 shares are held by Nicholas G. Moore and 35,000 shares are held by The Moore Family Ventures LP, of which Mr. Moore is General Partner, each of which is currently exercisable or will become exercisable within 60 days after May 28, 2010.
- (15) Includes 15,000 shares of common stock issuable upon exercise of currently exercisable options granted under the 1995 Plan; and 334,414 shares of common stock issuable upon exercise of currently exercisable options granted under the 1999 Plan, each of which is currently exercisable or will become exercisable within 60 days after May 28, 2010.
- (16) Common stock issuable upon exercise of currently exercisable options granted under the 1999 Plan, each of which is currently exercisable or will become exercisable within 60 days after May 28, 2010.
- (17) Includes 27,500 shares of common stock issuable upon exercise of currently exercisable options granted under the 1999 Plan, each of which is currently exercisable or will become exercisable within 60 days of May 28, 2010
- (18) Common stock issuable upon exercise of currently exercisable options granted under the 1999 Plan, each of which is currently exercisable or will become exercisable within 60 days after May 28, 2010.
- (19) Common stock issuable upon exercise of currently exercisable options granted under the 1999 Plan, each of is currently exercisable or will become exercisable with 60 days of May 28, 2010.
- (20) Common stock issuable upon exercise of currently exercisable options granted under the 1999 Plan, each of which is currently exercisable or will become exercisable within 60 days after May 28, 2010.
- (21) Includes 602,000 shares held in trust by Donald T. Valentine, trustee to the Donald T. Valentine Family Trust. Includes 50,000 shares of common stock issuable upon exercise of currently exercisable options granted under the 1995 Plan; and 140,000 shares of common stock issuable upon exercise of currently exercisable options granted under the 1999 Plan, each of which is currently exercisable or will become exercisable within 60 days after May 28, 2010.
- (22) Includes 150,000 shares of common stock issuable upon exercise of currently exercisable options granted under the 1999 Plan, each of which is currently exercisable or will become exercisable within 60 days after May 28, 2010.
- (23) Includes 1,081,224 shares of common stock issuable upon exercise of options granted under the 1995 Plan and 6,126,936 shares of common stock issuable upon the exercise of options and 14,391 shares of common stock issuable upon vesting of RSUs granted under the 1999 Plan, each of which is currently exercisable or will

become exercisable/issuable within 60 days of May 28, 2010.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the Company's directors and executive officers and persons who own more than 10% of a registered class of the Company's equity securities to file with the SEC initial reports of ownership and reports of changes in their ownership of common stock and other equity securities of the Company. Executive officers, directors and greater than 10% stockholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file.

Based solely on the review of the copies of such reports furnished to the Company and written representations that no other reports were required, the Company believes that during the fiscal year ended April 30, 2010, its executive officers, directors and greater than 10% stockholders complied with all Section 16 filing requirements.

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COMPENSATION DISCUSSION AND ANALYSIS

The Board has delegated to the Compensation Committee of the Board (Compensation Committee) sole authority and responsibility for establishing and overseeing salaries, incentive compensation programs, and other forms of compensation for our executive officers, general policies for remuneration for the balance of our employee population and for administering our equity incentive and benefits plans. As used herein, the term executive refers to an employee of the Company who holds a position at the Senior Vice President level or above. In this compensation discussion and analysis, the term named executive officers (NEOs) refers to the individuals included in the Summary Compensation Table below.

This compensation discussion and analysis explains the material elements of our compensation for our NEOs and how our compensation program is designed and operated to help us achieve our corporate goals.

The principal components of compensation that we pay to our NEOs consist of the following:

1. Base salary;
2. Cash incentive compensation tied to achievement of short-term (generally annual) goals;
3. Equity compensation in the form of grants of stock options and restricted stock units; and
4. Standard employee benefits (including our 401(k) plan, health and life insurance plans, and nonqualified deferred compensation program) and the Executive Retirement Medical Plan (for certain qualifying NEOs).

Principles and Objectives of Compensation

The Compensation Committee has designed our compensation program with respect to our NEOs in order to:

Continue the Company s ability to recruit and retain experienced and highly qualified NEOs despite the competitive labor environment in which the Company competes for such talent;

Motivate our NEOs to perform their duties to the best of their abilities while promoting good ethical behavior;

Reward our NEOs when the Company experiences high levels of financial performance; and

Create an interest in our stock performance by linking a meaningful portion of NEO compensation to stockholder value.

We offer each component of compensation outlined below to our NEOs because we believe that in combination they meet the goals that we have set for our Company. Our base salary compensation is designed to promote excellence in the day-to-day management and operation of our business. Our cash incentive compensation program rewards behaviors that support the Company s short-term (typically annual) goals. Our equity award program targets longer term value creation and rewards behavior that leads to a sustained material increase in our stock price and is also a key tool for retaining our NEOs.

The Company believes in a pay-for-performance philosophy. Generally, total compensation is higher for our NEOs compared to our other executives and employees in recognition of their greater responsibility and ability to influence the Company s achievement of targeted results and corporate goals. As a NEO s position and responsibility increase,

we believe that a greater portion of their total compensation should be performance-based pay that is contingent on the achievement of specific corporate goals or the increase in Company value for our stockholders. As a NEO's performance-based pay increases with increasing levels of responsibility, we also believe that equity-based compensation should compose an increasingly higher portion of performance-based compensation and of total compensation. Therefore, our compensation program is structured such that a significant portion of our NEOs' total target compensation is tied to long-term appreciation of our stock price.

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Administration of Our Compensation Program

The Compensation Committee determines and approves the principal components of compensation for our NEOs on an annual basis, typically prior to or shortly after the beginning of the applicable fiscal year. In making its decisions regarding compensation, the Compensation Committee obtains the advice and counsel of outside advisors engaged by the Compensation Committee. Radford, an Aon Consulting company (hereinafter "Radford"), had been engaged as the Compensation Committee's independent advisor on compensation matters for the executives (including NEOs) for decisions affecting fiscal 2010 compensation. Radford also provided consulting support for the compensation of the Board of Directors and all employees. Radford took its direction from the Compensation Committee and interacted with management, including executive, human resources and finance personnel. Radford also provided compensation benchmarking data to assist the Compensation Committee in making its determinations. In connection with its determination of compensation for the 2010 fiscal year, the Compensation Committee retained Radford to (1) review and assess the total direct compensation levels provided to our NEOs relative to an appropriate peer group, (2) review and assess our current equity grant guidelines and practices relative to that peer group, and (3) develop future equity grant guidelines and practices for all employees taking into account current trends in compensation. Based on the analysis by Radford, input from the executive team and the Compensation Committee's deliberations, the Compensation Committee approved our total compensation plan for the 2010 fiscal year.

During fiscal 2010, the Compensation Committee underwent a process of reviewing its outside advisors, and in February 2010 selected Farient Advisors ("Farient") as its new independent executive compensation consultant for fiscal 2011. Farient will be responsible for the continued review of our executive compensation programs and practices relative to our business objectives and principles and has recommended potential changes for fiscal 2011, which were approved by the Committee, as discussed in more detail below.

With respect to our NEOs, the Compensation Committee also solicits the input of our Chief Executive Officer ("CEO"). The CEO recommends to the Compensation Committee the salary, incentive compensation and equity-based compensation to be paid to our NEOs. We expect that the Compensation Committee will continue to solicit input from our CEO with respect to compensation decisions affecting NEOs. With respect to compensation for our CEO, the Chair of the Compensation Committee solicits input from our CEO on his perspectives and expectations regarding his own compensation and also solicits input from its outside advisors. The Compensation Committee deliberates and makes decisions on the CEO's compensation without the presence of the CEO.

Factors in Determining Compensation

The primary factors that the Compensation Committee takes into consideration in establishing the principal components of compensation for our NEOs are discussed below. While these are typically the considerations upon which the Compensation Committee bases its compensation decisions for our NEOs, the Compensation Committee may, at its discretion, apply entirely different factors, such as different measures of financial performance, for future fiscal years.

Competitive Market Data

In order to establish the market rate of pay for NEOs, the Compensation Committee reviews data from a targeted peer group of similarly situated technology companies. To determine the appropriate peer group, the Compensation Committee considers companies that are similar in one or more of the following criteria: revenue, number of employees, market capitalization and annual growth rates. In addition to focusing on our direct product line competitors, we consider other companies that we compete with for talent in our various markets and for which data is available.

Due to the high degree of market uncertainty in early fiscal 2010, no benchmark study was reviewed by the Compensation Committee. Instead, the Compensation Committee relied on the benchmark study from fiscal 2009 in making its compensation decisions for fiscal 2010. For fiscal 2009, based on the review and recommendations

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presented by Radford, the Compensation Committee reviewed and approved the following Compensation Peer Group:

Adobe Systems, Inc.	Electronic Arts, Inc.	NVIDIA Corp.
American Power Conversion	Gateway, Inc.	Palm, Inc.
ASML Holding N.V.	Harris Corp.	Sabre Holdings Corp.
ATI Technologies, Inc.	Intuit, Inc.	SanDisk Corp.
Atmel Corp.	Juniper Networks, Inc.	Spansion, Inc.
Autodesk, Inc.	Level 3 Communications, Inc.	Stryker Endoscopy
Bell Microproducts, Inc.	Logitech International S.A.	Symantec Corp.
Broadcom Corp.	LSI Corporation	Symbol Technologies, Inc.
CA, Inc.	Marvell Technology Group Ltd.	VeriSign, Inc.
Corning, Inc.	Metavante Corp.	Western Digital Corp.
eBay, Inc.	National Semiconductor	Xilinx, Inc.

The Compensation Peer Group established for the 2011 fiscal year is as follows: (1)

Adobe Systems, Inc.	Harris Corp.	NVIDIA Corp.
ASML Holding N.V.	Intuit, Inc.	Palm, Inc.
Atmel Corp.	Juniper Networks, Inc.	SanDisk Corp.
Autodesk, Inc.	Level 3 Communications, Inc.	Spansion, Inc.
Bell Microproducts, Inc.	Logitech International S.A.	Symantec Corp.
Broadcom Corp.	LSI Corporation	Western Digital Corp.
CA, Inc.	Marvell Technology Group Ltd.	Xilinx, Inc.
eBay, Inc.	Metavante Corp.	
Electronic Arts, Inc.	National Semiconductor	

- (1) The following companies were eliminated from the fiscal 2011 Compensation Peer Group either because they have been acquired or because they no longer participate in the Radford Executive Benchmark Survey which is the main data source for competitive market data: American Power Conversion, ATI Technologies, Inc., Corning, Inc., Gateway, Inc., Sabre Holdings Corp., Stryker Endoscopy, Symbol Technologies, Inc. and VeriSign, Inc.

In addition, for decisions affecting fiscal 2011, the Compensation Committee identified, with Farients assistance, a more targeted list of thirteen companies in the storage and enterprise solutions markets in order to assess pay practices (for example, the use of equity incentives, performance measures, and goal setting). These Pay Practices Peers consist of the following companies:

BMC Software, Inc.	International Business Machines Corp.*	Symantec Corporation
Brocade Communications Systems, Inc.	Juniper Networks, Inc.	Teradata Corporation
CA, Inc.	LSI Corporation	VMware, Inc.
EMC Corporation	McAfee, Inc.	
Hewlett-Packard Company*	Oracle Corp.*	

*

These companies represent substantially larger companies which are not direct competitors for top executive talent and we exclude them from our benchmarking exercise. However, the Compensation Committee reviews the programs and policies of these companies in its review of market practices.

Pay Positioning

The Compensation Committee has established a pay positioning philosophy for NEOs which examines the compensation practices of the Compensation Peer Group but does not target the Company's compensation practices to any specified percentile of the Compensation Peer Group. Instead, the Compensation Committee looks at the ranges of base salary, target cash incentive and equity compensation within the Compensation Peer Group and uses its judgment in determining proper levels of each component of compensation for NEOs. The result is intended to be a total compensation package which is above market median for target levels of performance, which the Compensation Committee believes is consistent with the Company's historically high rates of growth and performance goals, which are generally in excess of competitors.

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The Compensation Committee makes decisions regarding individual NEO's compensation based on a wide range of factors, including the specific responsibilities of each NEO, individual and corporate performance, skills and experience, and overall contribution to the management and strategic development of the Company. These subjective factors are considered by the Compensation Committee in its judgment without any specific weight or measurement. The Compensation Committee also relies on the input and recommendations of the CEO and its outside advisor when making decisions for NEOs.

For our NEOs, more than 50% of total compensation is performance-based, meaning that the actual value realized is subject to short-term financial performance or long-term stock price performance. By placing more of our NEOs' total compensation at risk, the Company emphasizes variable pay, which is consistent with the Company's pay for performance philosophy.

Components of Compensation

Base Salary

Base salaries are intended to compensate our NEOs on a day-to-day basis for their services to the Company. The Compensation Committee does not target specific percentiles within the Compensation Peer Group when making its base salary decisions for our NEOs. Instead, the Compensation Committee evaluates the base salary amounts of the Compensation Peer Group and refers to the 50th to 75th percentile of such salaries as a base from which to make decisions regarding NEO salaries. Using this range ensures that the Company's base salaries are competitive with the companies for which we compete for talent, but also permits the Compensation Committee to use its own judgment to ultimately determine NEO salaries. In setting the base salary for each NEO, the Compensation Committee considers the NEO's qualifications and experience, scope of responsibilities, future potential contributions to the Company, the NEO's past performance relative to the goals and objectives of the NEO and the length of the NEO's tenure with the Company. The relative weight given to each factor varies with each individual at the sole discretion of the Compensation Committee.

In fiscal 2010, the Compensation Committee considered the impact of the changes in the global economy and the Company's overall performance when determining each NEO's base salary. In addition, the Compensation Committee reviewed the base salary levels of the Compensation Peer Group. More than 75% of the companies in the Compensation Peer Group decided to freeze or reduce base salaries for the upcoming fiscal year. As a result of the salary review and the uncertain economic climate, 2010 NEO base salaries remained the same as 2009 base salaries, except for changes in salary resulting from changes in title and responsibilities. In particular, Mr. Georgens' and Mr. Warmenhoven's annual base salaries were adjusted in fiscal 2010 to reflect their new roles as President and CEO and Executive Chairman, respectively. For fiscal 2011, modest salary increases were implemented for NEOs generally in line with salary increases considered for the general employee population, unless specific circumstances (such as pay of the relative market range of the Compensation Peer Group) warranted a larger increase.

Incentive Compensation Plan

2010 Plan

The Compensation Committee believes that a cash incentive compensation plan that is tied to operational performance metrics motivates our NEOs to achieve short-term performance goals that are important drivers of business results and ultimately stock price performance. The Compensation Committee annually develops an incentive compensation plan under our Executive Compensation Plan with payment of incentives, if any, shortly following the end of a particular fiscal year.

Under the incentive compensation plan established for the fiscal year which ended on April 30, 2010, our NEOs were eligible to earn cash incentives, which were targeted at a specified percentage of actual annual base salary paid to NEOs, and paid based on the Company's achievement of target operating profit. The Compensation Committee selected operating profit as the performance measure to calculate earned cash incentives because whether the NEOs effectively manage resources directly impacts the Company's underlying operations and therefore positively or negatively impact operating profit, thus rewarding our NEOs for strong performance.

Prior to the beginning of each fiscal year, including the 2010 fiscal year, the Company develops an annual operating plan (or AOP) that includes a measure of non-GAAP income from operations (or operating profit) (as

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described below). The AOP is derived from the Company's results in the prior year as well as the Company's expectations for its performance relative to the Company's competitors and the overall market for the upcoming year. The target operating profit goal for the incentive compensation plan for fiscal year 2010 was set at the expected level of achievement of the AOP, which the Compensation Committee believed was an aggressive target that reflected the Company's growth strategy.

The measure of non-GAAP operating profit is derived from the revenues of our products, software entitlement and maintenance, and services and the costs directly related to the generation of those revenues, such as cost of revenue, sales and marketing, research and development, and general and administrative expenses. Non-GAAP operating profit, both on an actual and target basis, excludes items that we believe are not reflective of our short-term operating performance, such as stock-based compensation expenses, acquisition and disposition related charges or gains, amortization of intangible assets, restructuring and other charges, and significant asset impairments and litigation settlement payments or awards. We publicly disclose a detailed reconciliation of actual GAAP to non-GAAP net income and operating profit, along with other statement of operations items, on a regular basis with the Company's quarterly earnings announcements.

For our NEOs, the target short-term incentives for the 2010 fiscal year ranged from 110% to 130% of such individuals base salaries. Similar to our NEO's base salaries, short-term incentive targets remained the same for fiscal 2010 as in fiscal 2009, except as the result of changes in title or responsibilities. In particular, Mr. Georgens and Mr. Warmenhoven's short-term incentive targets were adjusted in 2010 to reflect their new roles as President and CEO and Executive Chairman, respectively.

The amount of actual cash incentives paid to our NEOs was determined based on the Company's performance relative to target operating profit. Our NEOs could earn more or less than their target cash incentive depending on whether the Company's actual operating profit was at, below, or in excess of the target. As illustrated in the table below, for the 2010 fiscal year, the incentive compensation-to-operating profit payout ratio was not linear, but was leveraged with accelerators of 10-for-1 above 100% achievement of the Company's targeted operating profit goal up to 200%, and decelerators of 2-for-1 below 100% achievement of the Company's target operating profit goal down to 75% achievement of target and 4-for-1 down to 62.5% achievement of target, at which point the payout would be zero. This two-step decelerator was implemented for fiscal 2010 given the high degree of uncertainty in the market at the beginning of the fiscal year and the Compensation Committee's desire to maintain incentives for optimal performance even in a down market. The upside and downside adjustments to the payment ratio were not linear because the Company has historically set what it believes is an aggressive operating profit target for incentive compensation purposes such that performance above 100% is considered exceptional. The Compensation Committee believes that paying a reduced cash incentive for achievement below target performance and an increased cash incentive for achievement in excess of target performance aligns our NEOs' actual compensation with the performance of the Company, incentivizing our NEOs to drive optimum Company performance.

Percent of Operating Profit Target	Percent of Incentive Compensation Target Payout
120 %	200%
110 %	200%
105 %	150%
102 %	120%
100 %	100%
98 %	96%
95 %	90%

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90 %	80%
80 %	60%
75 %	50%
70 %	30%
65 %	10%
62.5 %	0%

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For fiscal 2010, the Company achieved 133% of our annual target operating profit goal, which resulted in actual cash incentives paid to our NEOs equaling 200% of their target amounts.

2011 Plan

For fiscal 2011, the Compensation Committee adjusted the framework for evaluating short-term incentives for our executives, including our NEOs. Based on an assessment of our past pay practices conducted by Fariant, the Compensation Committee determined that the incentive compensation plan established for 2011 under our Executive Compensation Plan should include a combination of revenue and operating profit (with revenue weighted 1/3 and operating profit weighted 2/3) rather than only using operating profit targets.

The addition of revenue as a performance measure for fiscal 2011 encourages our executives, including the NEOs, to expand market share in the highly competitive markets within which we compete. In establishing our revenue goals, we set challenging growth targets that we believe exceed market growth rates. The revenue measure also supports our annual planning process, and mitigates the inherent volatility of relying solely on operating profit as the performance measure for fiscal 2011.

These changes are intended to better reflect the Company's business strategy, which includes making tradeoffs between operating profit margins and revenue growth. In addition, the Compensation Committee approved a more rapid decelerator for performance below the target level to reduce the range of performance below plan for which NEOs are compensated in light of the improvement in market conditions expected for fiscal 2011. The specific performance range and payouts for each measure are as follows:

Percent of Operating Profit	Percent of Incentive Compensation Payout for	Percent of Revenue	Percent of Incentive Compensation Payout for
Target	Factor	Target	Factor
120 %	200 %	120 %	200 %
110 %	200 %	110 %	200 %
105 %	150 %	105 %	150 %
100 %	100 %	100 %	100 %
95 %	80 %	95 %	75 %
90 %	60 %	90 %	50 %
85 %	40 %	85 %	25 %
80 %	20 %	80 %	0 %
75 %	0 %	75 %	0 %
70 %	0 %	70 %	0 %

The Compensation Committee established performance goals for fiscal 2011 based on the Company's 2011 AOP as well as individual target awards by reference to external market benchmarks, including the historical and expected performance of the Pay Practices Peers. Based on this assessment, the Compensation Committee believes that the performance goals for 2011 are reasonably difficult to achieve, supporting the continued use of incentive targets above the market median.

Long-Term Stock-Based Incentive Compensation

The Compensation Committee has the authority to grant stock options, restricted stock, restricted stock units (RSUs) and performance shares/units to our NEOs under our Amended and Restated 1999 Stock Option Plan (the 1999 Plan). These grants are designed to align the interests of each of our NEOs with those of the stockholders and provide each NEO with a significant incentive to manage the Company from the perspective of an owner with an equity stake in the business.

In fiscal 2010, the Compensation Committee granted both stock options and RSUs to our NEOs other than the CEO. The targeted mix of options versus RSUs was 50%-50% based on the fair value on the date of grant, although the Compensation Committee reserves the discretion to make grants in different ratios to individual NEOs based on performance and retention considerations. The objectives of using both stock options and RSUs for grants to NEOs are to better manage the number of shares needed to deliver a competitive compensation package to our NEOs (as

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RSUs require fewer shares and are less dilutive over time as compared to stock options) and to include a retention element in our overall compensation package in addition to performance incentives. The grants for the CEO in fiscal 2010 were all stock options. For fiscal 2011, our NEOs (including the CEO) received a combination of stock options and RSUs.

Each stock option grant allows each NEO to acquire shares of the Company's common stock at a fixed price per share (the market price on the grant date) over a specified period of time (up to seven years), thus providing value to the NEO only if the market price of the shares appreciates over the option term, and the NEO continues to be employed by the Company. Stock options generally vest over a four year period. RSUs are full-value grants settled in the Company's stock, which rewards NEOs for changes in our stock price, but also provides retention incentive even when stock prices do not increase. RSUs generally vest over a four year period.

Equity award guidelines for our NEOs are designed to be competitive with those offered by companies in the Compensation Peer Group. The Company does not target a specific percentile of the Compensation Peer Group when determining the value of equity awards. Instead, the Compensation Committee reviews the equity practices used by the Compensation Peer Group as a general guideline for the value of equity grants and then considers the Company's own unique situation and goals when determining the value of equity grants. The size of the actual equity grant to each NEO is designed to create a meaningful opportunity for stock ownership and is based on a number of factors, which include the NEO's current position with the Company, external comparability with equity grants made to executive officers of the Compensation Peer Group, internal comparability with equity grants made to other executives within the Company, the number of vested and unvested options and RSUs held by the NEO, the NEO's current level of performance and the NEO's potential for future responsibility and promotion over time. The Compensation Committee also takes into account the remaining share reserve under the 1999 Plan when determining the size of equity grants. The Compensation Committee, however, does not place any particular weight on any one individual factor and does not adhere to any specific guidelines in making its determinations.

For fiscal 2010, the Compensation Committee made grants of options and RSUs to our NEOs above the market based guidelines, partly for retention purposes and partly because the individuals who were Section 16 officers under the Securities Exchange Act of 1934, as amended, at the time of our stockholder-approved stock option-for-RSU exchange program were not eligible to participate in the exchange program.

For fiscal 2011 grants, the Compensation Committee approved grants that were above the Company's competitive grant guidelines for the NEOs. The Compensation Committee chose to approve fiscal 2011 grants at above market levels partly for retention purposes and partly due to the highly competitive market for talent as the economy improves.

Policies Regarding Granting of Equity Awards

The Compensation Committee Charter permits the Compensation Committee to create and delegate authority to an equity subcommittee. The Compensation Committee has established an equity subcommittee, which is currently comprised of the CEO and the Senior Vice President of Human Resources. The equity subcommittee has the authority to grant and amend equity-based awards to employees who are Vice President level or below or other service providers; provided, however that the Compensation Committee expressly retained, and the equity subcommittee has not been granted, the authority to grant or amend equity awards to Vice Presidents who report directly to the CEO. The Compensation Committee establishes equity grant guidelines each year for the equity subcommittee's consideration in approving such grants, and the Compensation Committee is to be informed on a regular basis of all grants made by the equity subcommittee which are outside of the guidelines.

Except in extraordinary circumstances as approved by the Compensation Committee, we grant stock options and RSUs to all of our employees (including our NEOs) on fixed dates. Grants to new hires in connection with their commencement of employment become effective on the 15th (or the first business day following the 15th in the event that the 15th falls on a weekend or holiday) of the month that immediately follows the month in which the individual first commences employment with us. Regardless of the date of grant, vesting of the award commences from the first day of the person's employment. Promotion and retention grants become effective on the 15th or the first business day following the 15th in the event that the 15th falls on a weekend or holiday) of the month that immediately follows the month in which the promotion becomes effective. Vesting for promotion stock option

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grants commences on the effective date of the promotion. Annual retention and refresh stock option and RSU grants for employees who are Vice President level and above become effective on June 1st (or the first business day following June 1st in the event that June 1st falls on a weekend or holiday) and on December 15th (or the first business day following December 15th in the event that December 15th falls on a weekend or holiday) for employees who are below the Vice President level.

We do not have either a policy or practice in place to grant equity awards that are timed to precede or follow the release or withholding of material nonpublic information.

Other Compensation for NEOs

Severance and Change of Control Arrangements

The Compensation Committee has developed change of control severance agreements to be entered into with its key senior executives so that it can mitigate the risk of not being able to retain key senior executives in the event of an acquisition of the Company. When deciding on the terms of such agreements, the Compensation Committee consulted with Radford, who provided various suggestions regarding the potential terms of a change of control severance agreement based on competitive market data from our Compensation Peer Group. In considering these potential terms, the Compensation Committee's objectives were to: (1) assure we would have the continued dedication and objectivity of our senior executives, notwithstanding the possibility of a change of control of the Company, thereby aligning the interests of these key senior executives with those of the stockholders in connection with potentially advantageous offers to acquire the Company; and (2) create a total executive compensation plan that is competitive with our Compensation Peer Group. The Compensation Committee from time to time determines which key senior executives will receive a change of control severance agreement. Individuals are selected as needed to support the above outlined objectives.

In August 2009, the Compensation Committee approved the terms of and the Company entered into, Amended and Restated Change of Control Severance Agreements with each of Mr. Georgens and Mr. Warmenhoven as a result of their change in title and responsibilities. The terms of the individual Change of Control Severance Agreements are described in further detail in the section below titled Potential Payments upon Termination or Change in Control. The Compensation Committee believes these change of control severance agreements satisfy the objectives above and ensure that key executives are focused on the Company's goals and objectives, as well as the interests of our stockholders, rather than any negative personal consequences that may arise as a result of a change of control.

Perquisites

Certain of our NEOs are eligible to participate in the Company's Executive Retirement Medical Plan, which upon retirement provides medical coverage beyond the COBRA maximum benefit period to a defined group of senior executives based on minimum age, service and level of responsibility (that is, Executive Vice President or above) as a fully-insured plan. The plan was adopted by the Company as a method to retain the defined group of executives. Our NEOs are also entitled to a preventative care medical benefit of up to \$2,500 per calendar year not available to nonexecutives.

Other Benefits and Reimbursements

NEOs are eligible to participate in all of our employee benefit plans, such as medical, dental, vision, group life and accidental death and dismemberment insurance and our 401(k) plan. We offer up to \$3,000 in a matching contribution under our 401(k) plan to each employee. Under the Company's nonqualified deferred compensation program (discussed in further detail below), participating employees (including the NEOs) may defer a percentage of their

compensation. The program permits contributions on a tax deferred basis in excess of IRS limits imposed on 401(k) plans as permitted and in compliance with Internal Revenue Code Section 409A. The only additional retirement benefits (other than the 401(k) plan) that we offer to certain of our NEOs are those under the Executive Retirement Medical Plan discussed above.

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Tax Deductibility of Compensation

Section 162(m) of the Code generally disallows a tax deduction to publicly held companies for compensation paid to certain executive officers, to the extent that compensation exceeds \$1 million per officer in any year. The Company generally seeks to maximize the deductibility for tax purposes of all elements of compensation. Our Amended and Restated 1999 Stock Option Plan is structured so that any compensation recognized by an executive officer in connection with the exercise of his or her outstanding options under the plan will qualify as performance-based compensation and will not be subject to the \$1 million limitation. In addition, our Amended and Restated 1999 Stock Option Plan allows our Compensation Committee to structure equity awards other than stock options as performance based compensation under Section 162(m). At the 2009 Annual Meeting, stockholders reapproved the Executive Compensation Plan so that cash incentives paid thereunder would be structured to allow for a deduction under Section 162(m). The Compensation Committee, however, periodically reviews applicable tax provisions, such as Section 162(m), and may revise compensation plans from time to time to comply with their rules and to maximize deductibility.

The information contained in the following Report of the Compensation Committee of the Board of Directors on Executive Compensation shall not be deemed to be soliciting material or to be filed with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the Company specifically incorporates it by reference in such filing.

**REPORT OF THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS
ON EXECUTIVE COMPENSATION**

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based upon such review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement.

Submitted by the Compensation Committee
of the Board of Directors:

Robert T. Wall, Chairman
Gerald Held
George T. Shaheen

COMPENSATION OF EXECUTIVE OFFICERS

Summary Compensation Table

The table below summarizes the compensation information for the NEOs for the fiscal years ended April 30, 2010, April 24, 2009, and April 25, 2008.

**Change
in**

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	RSUs (\$)(1)	Option Awards (\$)(2)	Pension Value and Nonqualified Non-Equity Deferred Compensation		All Other Earnings Comp (\$)(4)	Total (\$)
						Incentive Plan Compensation (\$)(3)	Earnings (\$)		
Thomas Georgens	2010	\$ 754,038		\$ 1,724,160	\$ 8,012,370	\$ 2,001,750(5)		\$ 1,932	\$ 12,494,250
President and Chief Executive Officer	2009	\$ 590,769			\$ 1,656,360	\$ 339,716(5)		\$ 1,493	\$ 2,588,338
	2008	\$ 511,154			\$ 3,631,830	\$ 304,239(5)		\$ 1,738	\$ 4,448,961
Steven J. Gomo	2010	\$ 500,000		\$ 689,660	\$ 762,690	\$ 1,121,154(6)			\$ 3,073,503
Executive Vice President and Chief Financial Officer	2009	\$ 472,115			\$ 621,135	\$ 248,861(6)			\$ 1,342,111
	2008	\$ 411,538			\$ 518,010	\$ 224,535(6)		\$ 1,738	\$ 1,155,821

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Name and Principal Position	Year	Salary (\$)	Bonus (\$)	RSUs (\$)(1)	Option Awards (\$)(2)	Incentive Plan Compensation (\$)(3)	Change in Pension Value and Nonqualified Non-Equity Deferred	All Other Compensation	Total (\$)
							Compensation Earnings (\$)	(\$)(4)	
Manish Goel(7) Executive Vice President, Product Operations	2010	\$ 425,576		\$ 1,379,340	\$ 381,345	\$ 954,250(8)		\$ 1,259	\$ 3,141,769
Robert E. Salmon Executive Vice President, Field Operations	2010	\$ 530,000		\$ 862,090	\$ 953,362	\$ 1,188,423(9)		\$ 1,492	\$ 3,535,367
	2009	\$ 513,769			\$ 828,180	\$ 270,818(9)		\$ 1,260	\$ 1,614,027
	2008	\$ 486,538			\$ 1,036,020	\$ 265,455(9)		\$ 1,738	\$ 1,789,751
Andrew Kryder(10) Senior Vice President and General Counsel	2010	\$ 390,000		\$ 347,686	\$ 305,076	\$ 636,000(11)			\$ 1,678,762
Daniel J. Varmenhoven Executive Chairman	2010	\$ 591,923			\$ 4,194,795	\$ 1,321,269(12)		\$ 4,280	\$ 6,112,267
	2009	\$ 859,231			\$ 3,312,720	\$ 535,266(12)		\$ 3,612	\$ 4,710,829
	2008	\$ 786,538			\$ 3,626,070	\$ 507,160(12)		\$ 1,738	\$ 4,921,506
Thomas F. Mendoza Vice Chairman	2010	\$ 599,999		\$ 689,660	\$ 762,690	\$ 1,467,692(13)		\$ 4,280	\$ 3,524,321
	2009	\$ 590,769			\$ 1,656,360	\$ 339,716(13)		\$ 3,612	\$ 2,590,457
	2008	\$ 582,500			\$ 1,554,030	\$ 346,704(13)		\$ 1,738	\$ 2,484,972

(1) The amounts shown represent the aggregate grant date fair value as calculated for financial statement reporting purposes in accordance with FASB ASC 718 for RSUs granted in fiscal years ended April 30, 2010, April 24, 2009, and April 25, 2008. These amounts do not necessarily represent actual value that may be realized by the NEOs. Assumptions used in the valuations of these awards are included in Note 11 of the Company's Annual Report on Form 10-K as filed with the SEC on June 18, 2010.

(2) The amounts shown represent the aggregate grant date fair value as calculated for financial statement reporting purposes in accordance with FASB ASC 718 for stock option awards granted in fiscal years ended April 30, 2010, April 24, 2009, and April 25, 2008. These amounts do not necessarily represent actual value that may be realized by the NEOs. Assumptions used in the valuations of these awards are included in Note 11 of the Company's Annual Report on Form 10-K as filed with the SEC on June 18, 2010.

(3) Amounts shown consist of payouts under the Company's Executive Compensation Plan paid based upon the Company achieving 87.5% of its fiscal 2008 plan, and 73.9% of its fiscal 2009 plan, and 133% of its fiscal 2010 plan.

- (4) The amounts shown represent the imputed income of term life insurance in excess of \$50,000.
- (5) Fiscal 2010 is based upon the Company achieving 133% of its targeted operating profit, Mr. Georgens received 200% of his nonequity incentive compensation target, which is 260% of his base compensation earnings for fiscal 2010. Based upon the Company achieving 73.9% of its targeted operating profit, Mr. Georgens received 47.9% of his nonequity incentive compensation target, which is 58% of his base compensation earnings for fiscal 2009. Fiscal 2008 is based upon the Company achieving 87.5% of its targeted operating profit, and Mr. Georgens received 49.6% of his nonequity incentive compensation target, which is 60% of his base compensation earnings for fiscal 2008.
- (6) Based upon the Company achieving 133% of its targeted operating profit, Mr. Gomo received 200% of his nonequity incentive compensation target, which is 220% of his base compensation earnings for fiscal 2010. Based upon the Company achieving 73.9% of its targeted operating profit, Mr. Gomo received 47.9% of his nonequity incentive compensation target, which is 53% of his base compensation earnings for fiscal 2009. Fiscal 2008 is based upon the Company achieving 87.5% of its targeted operating profit, and Mr. Gomo received 49.6% of his nonequity incentive compensation target, which is 55% of his base compensation earnings for fiscal 2008.
- (7) Mr. Goel became an executive officer during fiscal 2010; therefore information has been omitted for fiscal 2008 and 2009. Mr. Goel received 19,427 stock award shares pursuant to a stockholder-approved stock

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option-for-RSU exchange program whereby certain eligible stock options were surrendered for cancellation in exchange for a reduced number of restricted stock units with an adjusted vesting schedule. The incremental fair value associated with the RSUs issued in the exchange, as calculated in accordance with FASB ASC 718, is measured as the excess, if any, of the fair value of each replacement RSU over the fair value of the surrendered option as of the date of the exchange and resulted in an incremental value of \$0.

- (8) Fiscal 2010 is based upon the Company achieving 133% of its targeted operating profit, and Mr. Goel received 200% of his nonequity incentive compensation target, which is 220% of his base compensation earnings for fiscal 2010. Based upon the Company achieving 73.9% of its targeted operating profit, Mr. Goel received 73.9% of his nonequity incentive compensation target, which is 59% of his base compensation earnings for fiscal 2009. Fiscal 2008 is based upon the Company achieving 87.5% of its targeted operating profit, and Mr. Goel received 49.6% of his nonequity incentive compensation target, which is 39.7% of his base compensation earnings for fiscal 2008.
- (9) Fiscal 2010 is based upon the Company achieving 133% of its targeted operating profit, and Mr. Salmon received 200% of his nonequity incentive compensation target, which is 220% of his base compensation earnings for fiscal 2010. Based upon the Company achieving 73.9% of its targeted operating profit, Mr. Salmon received 47.9% of his nonequity incentive compensation target, which is 53% of his base compensation earnings for fiscal 2009. Fiscal 2008 is based upon the Company achieving 87.5% of its targeted operating profit, and Mr. Salmon received 49.6% of his nonequity incentive compensation target, which is 55% of his base compensation earnings for fiscal 2008.
- (10) Mr. Kryder became an executive officer during fiscal 2010; therefore information has been omitted for fiscal 2008 and 2009. Mr. Kryder received 26,783 stock award shares pursuant to a stockholder-approved stock option-for-RSU exchange program whereby certain eligible stock options were surrendered for cancellation in exchange for a reduced number of restricted stock units with an adjusted vesting schedule. The incremental value associated with the RSUs issued in the exchange, as calculated in accordance with FASB ASC 718, is measured as the excess, if any, of the fair value of each replacement RSU over the fair value of the surrendered option as of the date of the exchange and resulted in an incremental value of \$71,826 for the replacement awards.
- (11) Fiscal 2010 is based upon the Company achieving 133% of its targeted operating profit, and Mr. Kryder received 200% of his nonequity incentive compensation target, which is 160% of his base compensation earnings for fiscal 2010. Based upon the Company achieving 73.9% of its targeted operating profit, Mr. Kryder received 73.9% of his nonequity incentive compensation target, which is 59% of his base compensation earnings for fiscal 2009. Fiscal 2008 is based upon the Company achieving 87.5% of its targeted operating profit, and Mr. Kryder received 49.6% of his nonequity incentive compensation target, which is 39.7% of his base compensation earnings for fiscal 2008.
- (12) Based upon the Company achieving 133% of its targeted operating profit, Mr. Warmenhoven received 200% of his nonequity incentive compensation target, which is 220% of his base compensation earnings for fiscal 2010. Based upon the Company achieving 73.9% of its targeted operating profit, Mr. Warmenhoven received 47.9% of his nonequity incentive compensation target, which is 62% of his base compensation earnings for fiscal 2009. Fiscal 2008 is based upon the Company achieving 87.5% of its targeted operating profit, and Mr. Warmenhoven received 49.6% of his nonequity incentive compensation target, which is 64% of his base compensation earnings for fiscal 2008.
- (13) Fiscal 2010 is based upon the Company achieving 133% of its targeted operating profit, and Mr. Mendoza received 200% of his nonequity incentive compensation target, which is 240% of his base compensation

earnings for fiscal 2010. Based upon the Company achieving 73.9% of its targeted operating profit, Mr. Mendoza received 47.9% of his nonequity incentive compensation target, which is 58% of his base compensation earnings for fiscal 2009. Fiscal 2008 is based upon the Company achieving 87.5% of its targeted operating profit, and Mr. Mendoza received 49.6% of his nonequity incentive compensation target, which is 60% of his base compensation earnings for fiscal 2008.

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The table below summarizes information concerning all plan-based awards granted to the NEOs during fiscal 2010, which ended on April 30, 2010.

	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards:	All Other Option Awards:	Exercise or Base	Grant Fair Value
		Threshold (\$)	Target (\$)(2)	Maximum (\$)(3)	Threshold (#)	Target (#)	Maximum (#)	Number of Shares of Stock or Units (#)	Number of Securities Underlying Options (#)(5)	Price of Option Awards (\$/Sh)(6)	of Stock and Option Awards (\$)(7)
as Georgens	6/1/2009								250,000	\$ 20.69	\$ 1,906
	6/1/2009						83,333(4)				\$ 1,724
	9/15/2009		\$ 1,000,875	\$ 2,001,750					650,000	\$ 24.72	\$ 6,105
n J. Gomo	6/1/2009								100,000	\$ 20.69	\$ 762
	6/1/2009		\$ 560,577	\$ 1,121,154			33,333(4)				\$ 689
h Goel	6/1/2009								50,000	\$ 20.69	\$ 381
	6/1/2009						66,667(4)				\$ 1,379
	6/19/2010						2,857(4)(8)				
	6/19/2010						6,666(4)(8)				
	6/19/2010						4,000(4)(8)				
	6/19/2010						3,333(9)(8)				
	6/19/2010						2,571(4)(8)				
			\$ 477,125	\$ 954,250							
t E. Salmon	6/1/2009								125,000	\$ 20.69	\$ 953
	6/1/2009						41,667(4)				\$ 862
			\$ 594,212	\$ 1,188,423							
ew Kryder	6/1/2009								40,000	\$ 20.69	\$ 305
	6/1/2009						13,333(4)				\$ 275
	6/19/2009						1,714(4)(8)				
	6/19/2009						3,792(10)(8)				\$ 68
	6/19/2009						5,833(4)(8)				
	6/19/2009						6,666(9)(8)				
	6/19/2009						8,571(4)(8)				
	6/19/2009						207(10)(8)				\$ 3
			\$ 318,000	\$ 636,000							
	6/1/2009								550,000	\$ 20.69	\$ 4,194

I J. enhoven		\$ 660,635	\$ 1,321,269			
as F. oza	6/1/2009				100,000	\$ 20.69
	6/1/2009			33,333(4)		\$ 762
		\$ 733,846	\$ 1,467,692			\$ 689

- (1) Amounts shown in these columns represent the range of possible cash payouts for each NEO under the Company's Executive Compensation Plan, as determined by the Compensation Committee at its June 2009 meeting.
- (2) The estimated payouts are based upon the Company achieving 100% of its targeted operating profit for fiscal 2010.
- (3) The Executive Compensation Plan is capped at a maximum of 200% of the target cash payouts for the applicable fiscal year.
- (4) The stock award was granted under the Stock Issuance Program of the 1999 Plan. The award vests as to 25% of the shares beginning on the first anniversary of the grant date and 25% on the next anniversaries of the grant date. The award is subject to earlier termination upon the individual's cessation of service with the Company.

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- (5) The stock option was granted under the Discretionary Option Grant Program of the 1999 Plan. The option has a maximum term of seven years measured from the grant date, subject to earlier termination upon the individual's cessation of service with the Company. The option vests in a series of equal monthly installments over 48 months of service beginning with the month following the grant date.
- (6) The exercise price for all options granted to the NEOs is 100% of the fair market value of the shares on the grant date. The actual value of the option will depend on the market value of the Company's common stock at the date in the future when the option is exercised. The exercise price may be paid in cash or in shares of common stock valued at fair market value on the exercise date.
- (7) The amounts shown represent the total fair value of the award calculated as of the grant date in accordance with FASB ASC 718. These amounts do not necessarily represent the actual value that may be realized by the NEOs. Assumptions used in the valuations of these awards are included in Note 11 of the Company's Annual Report on Form 10-K for the fiscal year ended April 30, 2010, as filed with the SEC on June 18, 2010.
- (8) The RSU was granted pursuant to a stockholder-approved stock option-for-RSU exchange program whereby certain eligible stock options were surrendered for cancellation in exchange for a reduced number of RSUs with an adjusted vesting schedule. The incremental value associated with the RSUs issued in the exchange, as calculated in accordance with FASB ASC 718, is measured as the excess, if any, of the fair value of each replacement RSU over the fair value of the surrendered option as of the date of the exchange.
- (9) The RSU was granted under the Stock Issuance Program of the 1999 Plan. The award vests as to 50% of the shares beginning on the first anniversary of the grant date and 50% on the second anniversary of the grant date. The award is subject to earlier termination upon the individual's cessation of service with the Company.
- (10) The RSU was granted under the Stock Issuance Program of the 1999 Plan. The award vests as to one-third of the shares beginning on the first anniversary of the grant date and one-third of the shares on the next two anniversaries of the grant date. The award is subject to earlier termination upon the individual's cessation of service with the Company.

Outstanding Equity Awards at Fiscal Year End

The following table sets forth information regarding stock options and stock awards held by the NEOs as of April 30, 2010.

Option Awards	Stock Awards		Equity Incentive Plan Awards: Market or Payout Value of
Equity Incentive Plan Awards: Number of	Equity Incentive Plan Awards: Number of	Market Unearned Value of Shares,	Unearned Shares,

	Securities		Option Expiration Date	Shares	Shares	Units or	Units or
	Number of Securities Underlying	Underlying Unexercised		of Stock that Have	of Stock that Have	Other Rights that Have	Other Rights that Have
	Options Exercisable (#)	Unexercised Options (#)	Exercise Price	Not Vested (#)	Not Vested (\$)	Not Vested (#)	Not Vested (\$)
Thomas Georgens	13,380		\$ 27.81			83,333(9)	\$ 2,889,115
	345,620		\$ 27.81				
	95,833	4,167(1)	\$ 32.50				
	70,833	29,167(2)	\$ 30.74				
	168,750	131,250(3)	\$ 21.40				
	91,666	108,334(4)	\$ 23.79				
	52,083	197,917(5)	\$ 20.69				
		650,000(6)	\$ 24.72				

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	Option Awards		Option Expiration Date	Stock Awards		Equity Incentive Awards: Market or Payout Value of
	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised	Options (#)		Market Value of Shares or Units of Stock that Have Not Vested	Unearned Shares, Units or Rights that Have Not Vested	
	Options Exercisable	Options Unexercisable (#)		Not Vested (#)	Not Vested (\$)	
Steven J. Gomo	6,364		5/8/2013			\$ 1,155,655
	5,216		5/2/2014			
	100,000		10/31/2012			
	73,636		5/8/2013			
	84,784		5/2/2014			
	50,000		9/1/2014			
	70,000		5/31/2015			
	95,833	4,167(1)	5/31/2013			
	35,416	14,584(2)	5/31/2014			
	34,375	40,625(4)	6/1/2015			
	20,833	79,167(5)	5/31/2016			
Manish Goel	625	20,625(7)	2/16/2016			\$ 693,400
	1,041	39,584(5)	5/31/2016			\$ 173,350
						\$ 260,025
						\$ 2,311,345
						\$ 89,136
						\$ 231,110
						\$ 138,680
						\$ 99,052
						\$ 115,555
Robert E. Salmon	4,965		4/25/2011			\$ 260,025
	2,083		2/6/2012			\$ 1,444,595
	1,250		2/6/2012			
	9,478		5/8/2013			

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	5,216		\$ 19.17	5/2/2014		
	4,483		\$ 34.24	3/14/2016		
	95,035		\$ 20.16	4/25/2011		
	60,000		\$ 19.17	5/2/2014		
	50,000		\$ 20.61	9/1/2014		
	70,000		\$ 29.24	5/31/2015		
	70,517		\$ 34.24	3/14/2016		
	95,833	4,167(1)	\$ 32.50	5/31/2013		
	101,562	23,438(8)	\$ 39.83	1/15/2014		
	70,833	29,167(2)	\$ 30.74	5/31/2014		
	45,833	54,167(4)	\$ 23.79	6/1/2015		
	26,041	98,959(5)	\$ 20.69	5/31/2016		
Andrew Kryder	5,209		\$ 15.71	5/8/2013	15,000(10)	\$ 520,050
	1,139		\$ 21.97	2/28/2014	5,000(11)	\$ 173,350
	39,645		\$ 15.71	5/8/2013	13,333(9)	\$ 462,255
	3,861		\$ 21.97	2/28/2014	207(16)	\$ 7,177
	9,166	10,834(4)	\$ 23.79	6/1/2015	3,792(16)	\$ 131,469
	8,333	31,667(5)	\$ 20.69	5/31/2016	6,666(14)	\$ 231,110
					1,714(13)	\$ 59,424
					8,571(13)	\$ 297,157
					5,833(13)	\$ 202,230

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	Option Awards		Equity Incentive Plan Awards:		Equity Incentive Plan Awards:		Equity Incentive Plan Awards:	
	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable	Option Exercise Price	Option Expiration Date	Market Value of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested	Number of Shares, Units or Other Rights That Have Not Vested	Unearned Value of Shares, Units or Other Rights That Have Not Vested
Daniel J. Warmenhoven	795,040		\$ 20.16	4/25/2011				
	2,187		\$ 17.15	1/1/2011				
	3,153		\$ 7.93	1/1/2012				
	120,000		\$ 15.32	2/6/2012				
	233,473		\$ 15.32	2/6/2012				
	400,000		\$ 9.99	10/31/2012				
	7,009		\$ 3.57	1/1/2013				
	393,636		\$ 15.71	5/8/2013				
	3,617		\$ 6.91	1/1/2014				
	294,798		\$ 19.22	6/16/2014				
	350,000		\$ 29.24	5/31/2015				
	431,250	18,750(1)	\$ 32.50	5/31/2013				
	247,916	102,084(2)	\$ 30.74	5/31/2014				
	183,333	216,667(4)	\$ 23.79	6/1/2015				
	114,583	435,417(5)	\$ 20.69	5/31/2016				
Thomas F. Mendoza	6,364		\$ 15.71	5/8/2013			33,333(9)	\$ 1,155,655
	75,000		\$ 58.00	5/9/2010				
	64,584		\$ 29.24	5/31/2015				
	128,125	6,250(1)	\$ 32.50	5/31/2013				
	106,250	43,750(2)	\$ 30.74	5/31/2014				
	8,333	108,334(4)	\$ 23.79	6/1/2015				
	4,167	79,167(5)	\$ 20.69	5/31/2016				

- (1) 1/48th of the option shares vest monthly in equal installments over four years measured from the grant date. The option will be fully vested on June 1, 2010, subject to continued service through each applicable vesting date.
- (2) 1/48th of the option shares vest monthly in equal installments over four years measured from the grant date. The option will be fully vested on June 1, 2011, subject to continued service through each applicable vesting date.
- (3) 25% of the option shares vested on January 29, 2009, thereafter 1/48th of the option shares vest monthly in equal installments over 36 months. The option will be fully vested on January 29, 2012, subject to continued service through each applicable vesting date.
- (4) 1/48th of the option shares vest monthly in equal installments over four years measured from the grant date. The option will be fully vested on June 2, 2012, subject to continued service through each applicable vesting date.
- (5) 1/48th of the option shares vest monthly in equal installments over four years measured from the grant date. The option will be fully vested on June 1, 2013, subject to continued service through each applicable vesting date.
- (6) 25% of the option shares vest on August 19, 2010, thereafter 1/48th of the option shares vest monthly in equal installments over 36 months. The option will be fully vested on August 19, 2013, subject to continued service through each applicable vesting date.
- (7) 25% of the option shares vest on January 5, 2010, thereafter 1/48th of the option shares vest monthly in equal installments over 36 months. The option will be fully vested on January 5, 2013, subject to continued service through each applicable vesting date.

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- (8) 1/48th of the option shares vest monthly in equal installments over four years measured from the grant date. The option will be fully vested on January 16, 2011, subject to continued service through each applicable vesting date.
- (9) 25% of the RSU shares vest over four years on each annual anniversary of the grant date. The award will be fully vested on June 1, 2013, subject to continued service through each applicable vesting date.
- (10) 25% of the RSU shares vest over four years on each annual anniversary of the grant date. The award will be fully vested on April 25, 2012, subject to continued service through each applicable vesting date.
- (11) 25% of the RSU shares vest over four years on each annual anniversary of the grant date. The award will be fully vested on June 2, 2012, subject to continued service through each applicable vesting date.
- (12) 25% of the RSU shares vest over four years on each annual anniversary of the grant date. The award will be fully vested on February 17, 2013, subject to continued service through each applicable vesting date.
- (13) 25% of the RSU shares vest over four years on each annual anniversary of the grant date. The award will be fully vested on June 19, 2013, subject to continued service through each applicable vesting date.
- (14) 50% of the RSU shares vest over two years on each annual anniversary of the grant date. The award will be fully vested on June 19, 2011, subject to continued service through each applicable vesting date.
- (15) 25% of the restricted stock shares vest over four years on each annual anniversary of the grant date. The award will be fully vested on January 16, 2011, subject to continued service through each applicable vesting date.
- (16) 33% of the RSU shares vest over three years on each annual anniversary of the grant date. The award will be fully vested on June 19, 2012, subject to continued service through each applicable vesting date.

Option Exercises and Stock Vested for Fiscal 2010

The following table provides information regarding options and stock awards exercised and vested, respectively, and value realized for each of the NEOs during the fiscal year that ended on April 30, 2010.

Name	Option Awards		Stock Awards	
	Number of Shares	Value Realized on	Number of Shares	Value Realized
	Acquired on Exercise (#)	Exercise (\$)(1)	Acquired on Vesting (#)	on Vesting (\$)(2)
Thomas Georgens			5,000(3)	\$ 148,550
Steven J. Gomo	100,000	\$ 2,393,100		
Manish Goel	24,095	\$ 379,124	29,167(4)	\$ 794,440
Robert E. Salmon	198,308	\$ 2,999,508	10,000(5)	\$ 330,975
Andrew Kryder	96,750	\$ 1,771,299	19,167(6)	\$ 510,240
Daniel J. Warmenhoven	2,648	\$ 28,751		

Thomas F. Mendoza	1,029,052	\$ 9,875,241
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- (1) Based on the market price of the Company's common stock on the date of exercise less the option exercise price paid for those shares, multiplied by the number of shares for which the option was exercised.
- (2) Based on the market price of the Company's common stock on the vesting date, multiplied by the number of shares vested.
- (3) Of this amount, 1,833 shares were withheld by the Company to satisfy tax withholding requirements.
- (4) Of this amount, 10,584 shares were withheld by the Company to satisfy tax withholding requirements.
- (5) Of this amount, 3,808 shares were withheld by the Company to satisfy tax withholding requirements.
- (6) Of this amount, 7,806 shares were withheld by the Company to satisfy tax withholding requirements.

Nonqualified Deferred Compensation

Under the Company's Deferred Compensation Plan, key employees, including the NEOs, may defer from 1% to 100% of the compensation they receive. The Deferred Compensation Plan allows contributions on a tax deferred

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basis in excess of IRS limits imposed on 401(k) Plans as permitted and in compliance with Internal Revenue Code Section 409A. Eligible employees may defer an elected percentage of eligible earnings that include base salary, sales incentive compensation, and Company incentive compensation. Eligible employees are director level and higher employees who are on the U.S. payroll. Elections made under the Deferred Compensation Plan are irrevocable for the period (plan year) to which they apply, and cannot be changed or terminated. If no new election is made for a subsequent plan year, the election will be 0%. Previous elections do not carry forward.

Interest (earnings) is not calculated by the Company or related to the Company's earnings in the last fiscal year. Instead, deferrals are placed (at the participant's direction) into a variety of publicly traded mutual funds administered through Fidelity Investments. The mutual funds available mirror those in the Company 401(k) Plan. Available mutual funds are selected and monitored by the 401(k) Committee which is comprised of a group of executives (none of whom are NEOs), with input from an outside investment advisor as well as Fidelity Investment Advisors. Participants are permitted to make changes to their investment choices (but not their deferral percentages) at any time, but always within the family of publicly traded mutual funds. Neither Company common stock nor securities of any other issuers are included among the investment choices. However, it is possible that Company common stock may compose a portion of the portfolio of investments held by these mutual funds.

At the time of initial election, the participant must also elect a distribution option. Distribution options include a Separation Account (paid six months after termination of employment) or an In-Service Account (paid at a specified fixed future date). Participants are not permitted to change the timing of a Separation Account. In-Service Account distributions begin on January 15 of the specified year, and deferrals must be at least two years old before distribution can begin. Participants are permitted to delay the timing of an In-Service Account, but any such modification to timing must delay the distribution for at least five years.

The following table represents the executive contributions, earnings and account balances for the NEOs in the Deferred Compensation Plan.

NONQUALIFIED DEFERRED COMPENSATION

Name	Executive Contributions in Last Fiscal Year \$(1)(2)	Company Contributions in Last Fiscal Year \$(3)	Aggregate Earnings in Last Fiscal Year \$(4)	Aggregate Withdrawals/ Distributions (\$)	Aggregate Balance at End of Last Fiscal Year (\$)
Thomas Georgens					
Steven J. Gomo					
Manish Goel					
Robert E. Salmon					
Andrew Kryder(5)	\$ 54,000		\$ 2,228		\$ 56,228
Daniel J. Warmenhoven(6)	\$ 631,802		\$ 769,511		\$ 3,705,474
Thomas F. Mendoza					

(1) Represents amounts deferred, that are also reported as compensation in the Summary Compensation Table.

(2)

Mr. Warmenhoven and Mr. Kryder are the only NEOs who participated in the Deferred Compensation Plan in fiscal 2010.

- (3) The Company does not make contributions to the Deferred Compensation Plan.
- (4) The amounts in this column have not been included in the Summary Compensation Table because they do not represent above-market or preferential earnings on deferred compensation.
- (5) Of this amount, \$54,000 represents deferred compensation that is reported in the Summary Compensation Table for fiscal 2010.
- (6) Of this amount, \$631,802 represents deferred compensation that is reported in the Summary Compensation Table for fiscal 2010 and \$2,304,160 represents deferred compensation that was reported in the Summary Compensation Table in previous years.

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Pension Benefits

The Company does not provide pension benefits or a defined contribution plan to the NEOs other than the tax-qualified 401(k) plan.

Potential Payments upon Termination or Change in Control

Change of Control Severance Agreements

In June 2008, the Compensation Committee approved the terms of a change of control severance arrangement. Thereafter, we entered into a Change of Control Severance Agreement with certain senior executives, including each of the NEOs on various occasions. In August 2009 the Compensation Committee approved the terms of, and we entered into, Amended and Restated Change of Control Severance Agreements with each of Mr. Georgens and Mr. Warmenhoven. The Compensation Committee believes these agreements are necessary for us to retain key senior executives in the event of an acquisition of the Company. In approving the agreements, the Compensation Committee's objectives were to (1) assure we would have the continued dedication and objectivity of our senior executives, notwithstanding the possibility of a change of control of the Company, thereby aligning the interests of these key senior executives with those of the stockholders in connection with potentially advantageous offers to acquire the Company, and (2) create a total executive compensation plan that is competitive with our Compensation Peer Group.

Term of Change of Control Severance Agreement

Each Change of Control Severance Agreement has an initial term of three years. On the third anniversary of the effective date of the Change of Control Severance Agreement, the Change of Control Severance Agreement will renew automatically for an additional one-year term unless either party provides the other with a notice of nonrenewal at least 60 days prior to the date of automatic renewal. If a Change of Control (as defined below) occurs at any time during the term of the agreement, the term of the Change of Control Severance Agreement will extend automatically for 12 months following the effective date of the Change of Control. If a senior executive becomes entitled to severance benefits pursuant to his or her Change of Control Severance Agreement, the Change of Control Severance Agreement will not terminate until all of obligations of the Change of Control Severance Agreement have been satisfied.

Circumstances Triggering Payment Under Change of Control Severance Agreement

Each Change of Control Severance Agreement provides that if the Company terminates a senior executive's employment without Cause (as defined below) or if the senior executive resigns for Good Reason (as defined below), and such termination or resignation occurs on or within 12 months after a Change of Control, the senior executive will receive certain benefits (as described below). The senior executive will not be entitled to any benefits, compensation or other payments or rights upon his or her termination following a Change of Control other than as set forth in his or her Change of Control Severance Agreement.

If the senior executive voluntarily terminates his or her employment with the Company (other than for Good Reason during the period that is on or within 12 months after a Change of Control), or if the Company terminates the senior executive's employment for Cause, then the senior executive will not be entitled to receive severance or benefits except for those (if any) as provided in the Company's existing severance and benefits plans and practices or pursuant to other written agreements with the Company.

If the Company terminates the senior executive's employment as a result of senior executive's disability, or if the senior executive's employment terminates due to his or her death, then the senior executive will not be entitled to receive severance or benefits except for those (if any) as provided in the Company's existing severance and benefits plans and practices or pursuant to other written agreements with the Company.

If the senior executive voluntarily terminates his or her employment and such termination is for Good Reason, or if the Company terminates the senior executive's employment without Cause, and in either event such termination does not occur on or within 12 months after a Change of Control, then the senior executive will

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not be entitled to receive severance or benefits except for those (if any) as provided in the Company's existing severance and benefits plans and practices or pursuant to other written agreements with the Company.

The Company has a general severance policy applicable to all employees (including the NEOs) providing for additional weeks of pay based on years of service, plus periods of access to a career center and office resources, one-on-one coaching, and access to an online database. However, if the senior executive is eligible to receive any payments under his or her Change of Control Severance Agreement, the senior executive will not be eligible to receive any payments or benefits pursuant to any Company severance plan, policy, or other arrangement.

Timing and Form of Severance Payments Under Change of Control Severance Agreement

Unless otherwise required by Section 409A of the Internal Revenue Code, any severance payments to be made pursuant to the Change of Control Severance Agreement will be paid in a lump sum as soon as practicable following the senior executive's termination date. No severance or other benefits will be paid or provided until a separation agreement and release of claims between the senior executive and the Company becomes effective. If the senior executive should die before all of the severance has been paid, any unpaid amounts will be paid in a lump-sum payment to the senior executive's designated beneficiary.

Severance Payments Under Change of Control Severance Agreement

If the Company terminates a senior executive's employment without Cause or if the senior executive resigns for Good Reason and such termination occurs on or within 12 months after a Change of Control, the senior executive will receive the following benefits:

The Change of Control Severance Agreement entered into with Mr. Georgens provides that equity awards will vest in full as to 100% of the unvested portion of the award;

All accrued but unpaid vacation, expense reimbursements, wages, and other benefits due to the senior executive under any Company plan or policy (provided, however, that a senior executive will not be eligible to receive any benefits under any Company severance plan, policy or other arrangement);

The sum of (1) 200% (250% in the case of Mr. Georgens) of the senior executive's annual base salary as in effect immediately prior to the senior executive's termination date or (if greater) at the level in effect immediately prior to the Change of Control, and (2) 100% of the senior executive's target annual bonus in effect immediately prior to the senior executive's termination date or (if greater) at the level in effect immediately prior to the Change of Control;

Accelerated vesting of the senior executive's outstanding equity awards as follows:

Prior to entering into the Change of Control Severance Agreements, the Company had a contractual obligation to certain senior executives to provide for accelerated vesting of equity awards in certain circumstances. As a result, the Change of Control Severance Agreement entered into between the Company and each of Mr. Warmenhoven, Mr. Gomo and Mr. Mendoza provides that equity awards granted on or before June 19, 2008 will vest in full as to 100% of the unvested portion of the award. All outstanding equity awards granted after June 19, 2008 that are subject to time-based vesting will vest as to that portion of the award that would have vested through the 24 month period following the senior executive's termination date had the senior executive remained employed through such period. Additionally, the senior executive will be entitled to accelerated vesting as to an additional 50% of the then unvested portion of all of his or her outstanding equity awards granted after June 19, 2008 that are scheduled to vest pursuant to

performance-based criteria, if any.

The Change of Control Severance Agreements entered into with the remaining senior executives provide that equity awards that are subject to time-based vesting will vest as to that portion of the award that would have vested through the 24 month period following the senior executive's termination date had the senior executive remained employed through such period. Additionally, the senior executive will be entitled to accelerated vesting as to an additional 50% of the then unvested portion of all of his or her outstanding equity awards that are scheduled to vest pursuant to performance-based criteria, if any.

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Each senior executive will have one year following the date of his or her termination in which to exercise any outstanding stock options or other similar rights to acquire Company stock (but such post termination exercise period will not extend beyond the original maximum term of the award);

If the senior executive elects continuation coverage pursuant to COBRA for himself or herself and his or her eligible dependents, the Company will reimburse the senior executive for the COBRA premiums for such coverage until the earlier of (1) 18 months (or 24 months in the case of Mr. Georgens), or (2) the date upon which the senior executive and/or the senior executive's eligible dependents are covered under similar plans.

Conditions to Receipt of Severance Under Change of Control Severance Agreement

The senior executive's receipt of any payments or benefits under the Change of Control Severance Agreement will be subject to the senior executive continuing to comply with the terms of any confidential information agreement entered into between the senior executive and the Company and complying with the provisions of the Change of Control Severance Agreement. Additionally, the receipt of any severance payment under the Change of Control Severance Agreement is conditioned on the senior executive signing and not revoking a separation agreement and release of claims with the Company, with such release to be effective no later than March 15 of the year following the year in which the termination occurs.

Excise Tax Under Change of Control Severance Agreement

In the event that the severance payments and other benefits payable to the senior executive pursuant to his or her Change of Control Severance Agreement constitute parachute payments under Section 280G of the U.S. tax code and would be subject to the applicable excise tax, then the senior executive's severance benefits will be either (1) delivered in full or (2) delivered to such lesser extent which would result in no portion of such benefits being subject to the excise tax, whichever results in the receipt by the senior executive on an after-tax basis of the greatest amount of benefits.

Definitions Contained in Change of Control Severance Agreement

Each Change of Control Severance Agreement defines Cause as: (1) the senior executive's continued intentional and demonstrable failure to perform his or her duties customarily associated with his or her position (other than any such failure resulting from the senior executive's mental or physical disability) after the senior executive has received a written demand of performance from the Company and the senior executive has failed to cure such nonperformance within 30 days after receiving such notice; (2) the senior executive's conviction of, or plea of nolo contendere to, a felony that the Board of Directors reasonably believes has had or will have a material detrimental effect on the Company's reputation or business; or (3) the senior executive's commission of an act of fraud, embezzlement, misappropriation, willful misconduct, or breach of fiduciary duty against, and causing material harm to, the Company.

Each Change of Control Severance Agreement defines Change of Control as any of the following events: (1) a change in the ownership of the Company which occurs on the date that any one person, or more than one person acting as a group (Person), acquires ownership of the stock of the Company that, together with the stock held by such Person, constitutes more than 50% of the total voting power of the stock of the Company, except that any change in the ownership of the stock of the Company as a result of a private financing of the Company that is approved by the Board of Directors will not be considered a Change of Control; (2) a change in the effective control of the Company which occurs on the date that a majority of members of the Board of Directors is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election; or (3) a change in the ownership of a substantial portion of the Company's assets which

occurs on the date that any Person acquires (or has acquired during the 12 month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or more than 50% of the total gross fair market value of all of the assets of the Company immediately prior to such acquisition or acquisitions. Notwithstanding the foregoing provisions of this definition, a transaction will not be deemed a Change of Control unless the transaction qualifies as a change in control event within the meaning of Section 409A of the Internal Revenue Code.

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Mr. Georgens' Change of Control Severance Agreement defines "Good Reason" as his termination of employment within 90 days following the expiration of any cure period following the occurrence of any of the following, without his consent: (1) a material reduction of his authority or responsibilities, provided that a reduction of authority or responsibilities that occurs as a direct consequence of a Change of Control and the Company becoming part of a larger entity will not be considered a material reduction of Mr. Georgens' authority or responsibilities; and any change which results in Mr. Georgens ceasing to have the same functional supervisory authority and responsibility following a Change of Control or a change in Mr. Georgens' reporting position so that he no longer reports to the Chief Executive Officer or Board of Directors of the parent entity following a Change of Control will constitute a material reduction of his authority or responsibilities; (2) a material reduction of his base salary or target annual incentive (Base Compensation), unless the Company also similarly reduces the Base Compensation of all other employees of the Company; (3) a material change in the geographic location at which the senior executive must perform services; (4) any purported termination of the senior executive's employment for Cause without first satisfying the procedural protections set forth in his agreement; or (5) the failure of the Company to obtain the assumption of the agreement by a successor and/or acquirer and an agreement that the senior executive will retain the substantially similar responsibilities in the acquirer or the merged or surviving company as he had prior to the transaction.

Mr. Warmenhoven's Change of Control Severance Agreement defines "Good Reason" as his termination of employment within 90 days following the expiration of any cure period following the occurrence of any of the following, without his consent: (1) a material reduction of his authority or responsibilities, or a change in his reporting position such that he no longer reports directly to the Chief Executive Officer of the parent corporation in a group of controlled corporations following a Change of Control, ceases to serve as Executive Chairman following a Change of Control as he did prior to the Change of Control, or does not maintain the same general duties and job responsibilities for the parent entity following a Change of Control; (2) a material reduction of his base salary or target annual incentive (Base Compensation), unless the Company also similarly reduces the Base Compensation of all other employees of the Company; (3) a material change in the geographic location at which the senior executive must perform services; (4) any purported termination of the senior executive's employment for Cause without first satisfying the procedural protections set forth in his agreement; or (5) the failure of the Company to obtain the assumption of the agreement by a successor and/or acquirer and an agreement that the senior executive will retain the substantially similar responsibilities in the acquirer or the merged or surviving company as he had prior to the transaction.

Mr. Gomo's Change of Control Severance Agreement defines "Good Reason" as his termination of employment within 90 days following the expiration of any cure period following the occurrence of any of the following, without his consent: (1) a material reduction of his authority or responsibilities, or a change in his reporting position such that he no longer reports directly to the CEO of the parent corporation in a group of controlled corporations following a Change of Control; (2) a material reduction in his base salary or target annual incentive (Base Compensation), unless the Company also similarly reduces the Base Compensation of all other employees of the Company; (3) a material change in the geographic location at which the senior executive must perform services; (4) any purported termination of the senior executive's employment for Cause without first satisfying the procedural protections set forth in his agreement; or (5) the failure of the Company to obtain the assumption of the agreement by a successor and/or acquirer and an agreement that the senior executive will retain the substantially similar responsibilities in the acquirer or the merged or surviving company as he had prior to the transaction.

The Change of Control Severance Agreement for each of the remaining senior executives defines "Good Reason" as the termination of employment within 90 days following the occurrence of any of the following, without the senior executive's consent: (1) a material reduction of the senior executive's authority or responsibilities, or a change in the senior executive's reporting position such that the senior executive no longer reports directly to the officer position or its functional equivalent to which the senior executive was reporting immediately prior to such change in reporting position (unless the senior executive is reporting to the comparable officer position of the parent corporation in a group of controlled corporations following a Change of Control); (2) a material reduction in the senior executive's base

salary or target annual incentive (Base Compensation), unless the Company also similarly reduces the Base Compensation of all other employees of the Company with positions, duties and responsibilities comparable to the senior executive s; (3) a material change in the geographic location at which the senior executive

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must perform services; (4) any purported termination of the senior executive's employment for Cause without first satisfying the procedural protections set forth in his or her agreement; or (5) the failure of the Company to obtain the assumption of the agreement by a successor and/or acquirer and an agreement that the senior executive will retain the substantially similar responsibilities in the acquirer or the merged or surviving company as he or she had prior to the transaction.

Executive Medical Retirement Plan

The Company adopted the Executive Medical Retirement Plan (the Medical Plan) as a method to retain its senior executives. The Medical Plan provides continued medical benefits for the lifetime of individuals (and their eligible dependents) who retire from the Company and satisfy certain age and service requirements and are otherwise eligible. Currently, in order to be eligible to participate in the Medical Plan, individuals must hold the title of Executive Vice President or above at the time of retirement, must be at least 50 years of age, and must satisfy certain service requirements such that the sum of their age and two times their number of years of service to the Company equals or exceeds 65. The medical benefits are fully insured and are coordinated with Medicare for retirees age 65 and above. Assuming our named executive officers retired from their employment on April 30, 2010, the last day of our fiscal year, satisfied the age and service requirements, and were otherwise eligible to receive benefits under the Medical Plan, the present value of the benefits the executives would have been entitled to receive are as follows: Daniel Warmenhoven \$654,000, Steven Gomo \$703,000, and Thomas Mendoza \$654,000. Messrs. Georgens, Goel, Salmon, and Kryder would not have satisfied the eligibility requirements to participate in the Medical Plan and therefore would not have received benefits thereunder. Note that these amounts represent the present value of benefits to be received based on certain actuarial assumptions and it is likely that actual costs will differ from the assumptions utilized and scenarios presented.

Estimated Payments Pursuant to Change of Control Severance Agreements

The following table provides information concerning the estimated payments and benefits that would be provided in the circumstances described above for each of the senior executives pursuant to the Change of Control Severance Agreements. Payments and benefits are estimated assuming that the triggering event took place on the last business day of fiscal year 2010 (April 30, 2010), and the price per share of the Company's common stock is the closing price of the NASDAQ Global Select Market as of that date (\$34.67). There can be no assurance that a triggering event would produce the same or similar results as those estimated below if such event occurs on any other date or at any other price, or if any other assumption used to estimate potential payments and benefits is not correct. Due to the number of factors that affect the nature and amount of any potential payments of benefits, any actual payments and benefits may be different.

Change of Control Severance Agreements

Potential Payments upon:			
Involuntary Termination Other than for Cause On or Within 12 Months		Voluntary Termination for Good Reason On or Within 12 Months	
Prior to Change of Control	Following Change of Control	Prior to Change of Control	Following Change of Control

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Name	Type of Benefit(1)	(\$)(2)	(\$)	(\$)(2)	(\$)
Thomas Georgens	Cash severance				
	payments		\$ 3,135,000(3)		\$ 3,135,000(3)
	Vesting acceleration(4)		\$ 15,167,565(5)		\$ 15,167,565(5)