

NetApp, Inc.  
Form DEF 14A  
July 20, 2012

**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)

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3) Filing Party:

4) Date Filed:

**NETAPP, INC.**

**495 East Java Drive**

**Sunnyvale, California 94089**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**To Be Held August 31, 2012**

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, 2012, 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, Robert T. Wall, and Richard P. Wallace;
2. To approve an amendment to the Company s 1999 Stock Option Plan (the 1999 Plan ) to increase the share reserve by an additional 7,350,000 shares of common stock;
3. To approve an amendment to the Company s Employee Stock Purchase Plan (the Purchase Plan ) to increase the share reserve by an additional 5,000,000 shares of common stock;
4. To conduct an advisory vote to approve Named Executive Officer compensation;
5. To ratify the appointment of Deloitte & Touche LLP as independent auditors of the Company for the fiscal year ending April 26, 2013; and
6. To consider a stockholder proposal regarding the adoption of a simple majority voting standard for stockholder matters, if properly presented at the meeting.

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 11, 2012 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 20, 2012, 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

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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 Annual 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.

Thank you for your participation.

BY ORDER OF THE BOARD OF DIRECTORS,

Thomas Georgens

*Chief Executive Officer and President*

Sunnyvale, California

July 20, 2012

**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.**

**PROXY STATEMENT**

**FOR THE ANNUAL MEETING OF STOCKHOLDERS OF**

**NETAPP, INC.**

**To Be Held August 31, 2012**

**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, 2012, or at any adjournment or postponement thereof, for the purposes set forth in the accompanying Notice of Annual Meeting of Stockholders. Stockholders of record as of the close of business on July 11, 2012 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 at 495 East Java Drive, Sunnyvale, California 94089.

**Notice of Internet Availability of Proxy Materials**

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 of our stockholders, 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 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 20, 2012.

**Record Date and Shares Outstanding**

The close of business on July 11, 2012 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 367,581,288 shares of its common stock outstanding and entitled to vote at the Annual Meeting and approximately 709 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 11, 2012.

**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**

For Proposal No. 1, the 10 director nominees receiving the highest number of affirmative Votes Cast (as defined below) will be elected. Approval of each of Proposal Nos. 2, 3, 4, 5 and 6 requires the affirmative vote of a majority of the number of Votes Cast. Votes Cast for Proposal No. 4 will be on an advisory-basis only. 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 following the Annual Meeting.

### **Stockholders of Record versus Beneficial Owners**

You are a stockholder of record if, at the close of business on the record date, your shares of common stock were registered directly in your name with Computershare Shareowner Services, our transfer agent. If your shares of common stock are held in a brokerage account or by a bank or other nominee, you are considered to be the beneficial owner of shares held in street name. As the beneficial owner, you have the right to direct your broker or nominee how to vote your shares by following the voting instructions your broker or other nominee provides. If you do not provide your broker or nominee with instructions on how to vote your shares, your broker or nominee may not vote your shares with respect to any non-routine matters, but may, in its discretion, vote your shares with respect to routine matters.

### **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 the outcome of Proposal No. 1 (election of directors) will be determined by a plurality of the Votes Cast, abstentions will have no impact on the outcome of such proposal so long as 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. 5) will be treated as a routine matter. To the extent your brokerage firm votes your shares on your behalf on this proposal, such votes will be counted as Votes Cast. Proposal Nos. 1, 2, 3, 4 and 6 are not considered routine matters and, consequently, your brokerage firm cannot vote your shares on such proposals without your voting instructions.

### **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 (i) will be voted FOR Proposal Nos. 1, 2, 3, 4 and 5, (ii) will be voted ABSTAIN on Proposal No. 6, and (iii) 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 of record 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. If you are the beneficial owner of your shares, you must contact the broker or other nominee holding your shares and follow their instructions to revoke your proxy or change your vote.

### **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 Company has retained AST Phoenix Advisors, a professional proxy solicitation firm, to assist in the solicitation of proxies from stockholders of the Company. AST Phoenix Advisors may solicit proxies by personal interview, mail, telephone, facsimile, email, or otherwise. The Company expects that it will pay AST Phoenix Advisors its customary fee, estimated to be approximately \$9,500, plus reasonable out-of-pocket expenses incurred in the process of soliciting proxies. In addition, 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 services.

### **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 27, 2012 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/governance.cfm>.

### **Stockholder Proposals**

The Company's stockholders may submit proposals that they believe should be voted upon at the Company's 2013 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 2013 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 22, 2013, which is the date 120 calendar days prior to the anniversary of the mailing date of the proxy statement for the fiscal 2012 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 2013 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 preceding paragraph) not less than 120 calendar days prior to the date of the 2013 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 2013 Annual 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) follow the instructions provided when you vote over the Internet, or (ii) 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**

At the Annual Meeting, 10 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 qualified, or until the death, resignation or removal of such directors. It is intended that the proxies will be voted for the 10 nominees named below for election to the Company's Board unless authority to vote for any such nominee is withheld. 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 10 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 10 nominees.

**Information Regarding the Nominees**

The name, age and position of each nominee as of May 25, 2012, 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.

<b>Name of Nominee</b>	<b>Age</b>	<b>Position</b>	<b>Director Since</b>
Daniel J. Warmenhoven	61	Executive Chairman and Executive Chairman of the Board of Directors	1994
Nicholas G. Moore*	70	Lead Independent Director	2002
Thomas Georgens	52	Chief Executive Officer, President and Director	2008
Jeffry R. Allen*	60	Director	2005
Alan L. Earhart*	68	Director	2004
Gerald Held*	64	Director	2009
T. Michael Nevens*	62	Director	2009
George T. Shaheen*	67	Director	2004
Robert T. Wall*	66	Director	1993
Richard P. Wallace*	52	Director	2011

**\* 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 NetApp. Prior to joining NetApp, 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 Company, a global computer and information technology company, from 1985 to 1989 and IBM Corporation, a global computer and information technology company, from 1972 to 1985. Mr. Warmenhoven is lead independent director of Palo Alto Networks, lead independent director of Aruba Wireless Networks, Inc., sits on the Bechtel Corporation Board of Directors, 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 NetApp 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 LLP, an accounting firm, from July 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, Bechtel Corporation, and a private, venture capital-backed technology company. 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 serve as the Lead Independent Director and contribute to the Board's overall effectiveness.

THOMAS GEORGENS has been NetApp's President and Chief Executive Officer since August 2009. From February 2008 to August 2009, Mr. Georgens served as our President and Chief Operating Officer and was responsible for all product operations and field operations worldwide. Mr. Georgens has also been a member of our Board of Directors since March 2008. Mr. Georgens joined NetApp in October 2005 as Executive Vice President and General Manager of Enterprise Storage Systems and served as our Executive Vice President of Product Operations from January 2007 to February 2008. Before joining NetApp, Mr. Georgens spent nine years in various roles at LSI Corporation, an electronics design company, and its subsidiaries, including Chief Executive Officer of Engenio, President of LSI Logic Storage Systems and Executive Vice President of LSI Logic. Prior to Engenio, Mr. Georgens spent 11 years at EMC Corporation, a computer storage and data management company, 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 NetApp's Chief Executive Officer, Mr. Georgens has direct, day-to-day exposure to all aspects of our 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 NetApp. Mr. Allen joined NetApp in 1996 as the Chief Financial Officer and Vice President of Finance and Operations. Before coming to NetApp, Mr. Allen served as Senior Vice President of Operations for Bay Networks, Inc. a networking company, where he was responsible for manufacturing and distribution functions. From 1990 to 1995, he held the position of Controller for SynOptics Communications, Inc., a computer communications company, and subsequently became Vice President and Controller for Bay Networks, the new company created via the merger of SynOptics and Wellfleet Communications, Inc. 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 NetApp. 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 NetApp, 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, Inc., a provider of communications and information technology products and services, Legato Systems, Inc., a developer of storage software products, Varian, Inc., a supplier of scientific instruments and vacuum technologies, and Polycom, Inc., a communications solution company. 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 LLP. After the merger, he was named managing partner for PricewaterhouseCoopers' Silicon Valley offices before eventually retiring in 2001. 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. Mr. Earhart previously served on the board of directors of Quantum Corporation, Foundry Networks, Inc., and Monolithic Power Systems. Mr. Earhart holds a B.S. degree in accounting from the University of Oregon.

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 technology public companies, Mr. Earhart has developed knowledge of the complex issues facing global companies today. In addition, Mr. Earhart qualifies as an audit committee financial expert under the rules and regulations of the SEC. 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. From 2006 to 2010, he was the Executive Chairman of Vertica Systems, an analytic database company that was acquired by Hewlett-Packard Company. From 2002 until 2008, Mr. Held was on the board of Business Objects SA. He was also a founding director for Microplace, Inc., a microfinance marketplace that was acquired by eBay, Inc. and Chairman of Bella Pictures, Inc., which was acquired by CPI Corp. Mr. Held currently serves on the boards of Informatica Corporation and Openwave Systems, Inc., both of which are public technology companies. Mr. Held also serves on the boards of several private companies, including Trickplay, Inc. and Software Development Technologies Corp. From 1976 to 1997, Mr. Held served in a variety of executive roles at Tandem Computers, Inc. and Oracle Corporation.

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 also has experience leading organizations through periods of growth, including growing a startup company into a public company generating several billion dollars in annual revenue. In addition to his professional experience, Mr. Held has a strong technical background, including an M.S. degree in systems engineering from the University of Pennsylvania and a Ph.D. degree in computer science specializing in relational database technology from University of California, Berkeley.

T. 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 Technology Practice and chaired the firm's IT vendor relations committee. Mr. Nevens currently serves on the boards of Altera Semiconductors, Inc., Gehry Technologies, Inc., and Active Video Networks, Inc., and served on the board of Borland Software Ltd. from 2004 until 2009. Mr. Nevens served on the board of Model N Software from 2007 until 2011. Mr. Nevens has a B.S. degree in physics from the University of Notre Dame and an M.S. degree in industrial administration from Purdue University.

Mr. Nevens' experience in equity investments and advising various technology companies throughout the world led the Board to conclude that he would be a valuable member of the Board, particularly as NetApp 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, Ltd., a technology company in the data collection, storage and analytics space. Mr. Shaheen was the Chief Executive Officer of Siebel Systems, Inc., a CRM software company, from April 2005 until the sale of the company in January 2006. From October 1999 to April 2001, he served as the Chief Executive Officer and Chairman of the Board of Webvan Group, Inc. Prior to joining Webvan, 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, Inc., PRA International, Inc. and Univita Health, Inc. Mr. Shaheen served on the board of Voxify, Inc. from 2008 until 2011 and newScale Technologies from 2006 until 2011. 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. degree 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 NetApp'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.

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 Complete Genomics, Inc., a human genome sequencing and informatics company, since September 2010. 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 NetApp's longest serving director, he brings a long-term perspective of the evolution of NetApp 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.

RICHARD P. WALLACE joined the Board in March 2011. Mr. Wallace currently serves as the President and Chief Executive Officer of KLA-Tencor Corporation, a supplier of process control and yield management solutions for semiconductor and related microelectronics industries. He began his career at KLA Instruments in

1988 as an applications engineer and has held various general management positions throughout his 24-year tenure with the company. Mr. Wallace became the CEO of KLA-Tencor in January 2006. Mr. Wallace also currently serves as a member of the board of directors for Semiconductor Equipment and Materials International (SEMI), an industry trade association. Mr. Wallace earned his B.S. degree in electrical engineering from the University of Michigan and an M.S. degree in engineering management from Santa Clara University.

The Board selected Mr. Wallace to serve as a director because of his experience as chief executive officer of a publicly traded high-technology company. He brings to the Board more than two decades of experience gained while working at a technology company that has experienced growth. Mr. Wallace offers a unique perspective and expertise that is relevant to leading and advising a growth company. His experience as a board member of another publicly traded company also provides important value and adds to his unique perspective.

## 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 of the Board 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. Mr. Georgens serves in the role of Chief Executive Officer and Mr. Warmenhoven serves as Executive Chairman of the Board and Executive Chairman, a 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 because our Chief Executive Officer and Executive Chairman of the Board are both 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 meetings of 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.

As described in more detail below, our Board of Directors has four standing committees, each chairman 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.



### **Corporate Governance Guidelines**

The Board of Directors has adopted a formal set of Corporate Governance Guidelines concerning various issues related to Board structure, function and processes; Board committees; leadership development, including succession planning; oversight of risk management; and our ethics helpline. A copy of the Corporate Governance Guidelines is available on our website at <http://investors.netapp.com/governance.cfm>.

### **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 our 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 the Board's 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.

Each committee of the Board of Directors oversees specific aspects of risk management. For example, our Audit Committee is responsible for overseeing the management of risks associated with our 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; 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; and our Strategy Committee reviews our capital structure, liquidity, balance sheet, geographic distribution of cash, and other data necessary to manage the risks related to our long-term strategic planning and contemplated strategic transactions. Our committees regularly report their findings to the full Board of Directors.

In addition, on an annual basis, each committee performs a comprehensive year-end risk management review, the results of which are reported to the Audit Committee. As part of the annual review, each committee considers a wide range of risks, including, to the extent applicable, risks related to (i) financial matters, including accounting policies, counterparties and liquidity; (ii) legal compliance matters, including competition law, data privacy and antitrust; (iii) strategic matters, including technology and market trends; (iv) operational matters; and (v) human resource matters. If appropriate, the Audit Committee holds follow-up discussions with applicable committee members. The final results of the year-end risk management review are reported to the full Board in the fourth quarter of each fiscal year.

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 raised by directors with respect to risk management and other matters.

### **Independent Directors**

A majority of our Board are independent directors, as defined in the applicable NASDAQ rules.

The independent 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 is 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, independence, diversity (including with respect to race and gender), 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.

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, personal traits 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 3% of the outstanding shares of the Company's voting securities for at least 3 years 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 and is available at <http://investors.netapp.com/governance.cfm>. The Corporate Governance and Nominating Committee charter is reviewed by the Corporate Governance and Nominating Committee on an annual basis and was most recently reviewed in May 2012.

**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 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.

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 Compensation Committee on an annual basis and was most recently reviewed in May 2012.

**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>. The Audit Committee charter is reviewed by the Audit Committee on an annual basis and was most recently reviewed in May 2012.

**Strategy Committee**

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The Board's Strategy Committee (formerly the Investment and Acquisitions Committee) assists the Board in fulfilling its responsibilities relating to the development, articulation, and execution of the Company's long-term strategic plan, and the review, evaluation, and approval of certain strategic transactions.

The Board has adopted a charter for the Strategy Committee, which is available at <http://investors.netapp.com/governance.cfm>. The Strategy Committee charter is reviewed by the Strategy Committee on an annual basis and was most recently reviewed in May 2012.

### **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 is attended by at least a majority of the directors. However, in 2011,

only one director attended the Annual Meeting of Stockholders as the Annual Meeting was not held on the same day as the Board of Directors meeting. The 2012 Annual Meeting of Stockholders has been scheduled on the same day as a Board of Directors meeting, and we have encouraged the directors to attend.

**Code of Conduct**

The Company has adopted a Code of Conduct 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 Conduct.

The Code of Conduct is posted on the Company's website at: <http://investors.netapp.com/governance.cfm>. The Company will post any amendments to or waivers from the provisions of its code of conduct on its 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.

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

The Board of Directors held 6 regular meetings during fiscal 2012. During fiscal 2012, 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 2012 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 2012 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, a Strategy Committee, and a Compensation Committee.

For fiscal 2012, the Board consisted of 10 members. The members of the committees are identified in the following table:

<b>Director</b>	<b>Audit</b>	<b>Strategy</b>	<b>Compensation</b>	<b>Corporate Governance and Nominating</b>
Daniel J. Warmenhoven		X		
Nicholas G. Moore				Chair
Thomas Georgens				
Jeffrey R. Allen	X	Chair		
Alan L. Earhart	Chair			X
Gerald Held		X	X	
T. Michael Nevens	X	X		
George T. Shaheen			X	
Robert T. Wall		X	Chair	X
Richard P. Wallace				

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 both Messrs. Earhart and Allen qualify 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 <http://investors.netapp.com/governance.cfm>. The Audit Committee of the Board of Directors held 11 regular meetings during fiscal 2012.

The Corporate Governance and Nominating Committee is composed of directors Moore, Earhart, and Wall, all of whom are independent in accordance with applicable NASDAQ rules. 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 3% of the outstanding shares of the Company's voting securities for at least 3 years 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 Board of Directors. The Corporate Governance and Nominating Committee held 3 meetings during fiscal 2012.

The Strategy Committee is composed of directors Allen, Held, Nevens, Warmenhoven and Wall, a majority of who are independent. The Strategy Committee assists in the development, articulation and execution of the Company's long-term strategic planning and reviews, evaluates, and approves certain acquisitions, divestitures, and other strategic transactions for the Company. The Strategy Committee held 4 meetings during fiscal 2012.

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 our 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 held 6 regular meetings during fiscal 2012.

**DIRECTOR COMPENSATION**

The Compensation Committee evaluates the compensation and form of compensation for nonemployee directors annually. 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.

**Director Compensation Table**

The table below summarizes the total compensation paid by the Company to the nonemployee directors and Mr. Warmenhoven for the fiscal year ended April 27, 2012.

Name	Fees Earned or Paid in Cash (\$)(1)	RSUs (\$)(2)(4)	Option Awards (\$)(2)(4)	Nonequity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Daniel J. Warmenhoven(3)							
Nicholas G. Moore	\$ 90,000	\$ 106,577	\$ 197,275				\$ 393,852
Jeffry R. Allen	\$ 75,000	\$ 106,577	\$ 156,460				\$ 338,037
Alan L. Earhart	\$ 85,000	\$ 106,577	\$ 156,460				\$ 326,787
Gerald Held	\$ 63,000	\$ 106,577	\$ 115,644				\$ 285,221
T. Michael Nevens	\$ 70,000		\$ 231,288				\$ 301,288
George T. Shaheen	\$ 58,000	\$ 106,577	\$ 115,644				\$ 280,221
Robert T. Wall	\$ 76,000		\$ 272,104				\$ 348,104
Richard P. Wallace	\$ 50,000		\$ 231,288				\$ 281,228

- (1) Fees earned represent annual retainers and committee fees.
- (2) The amounts reported represent 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 27, 2012, as filed with the SEC on June 19, 2012. These amounts do not necessarily represent the actual value that may be realized by the nonemployee director.
- (3) Mr. Warmenhoven did not receive compensation as a director but did receive compensation as an employee of the Company in his role as Executive Chairman. Mr. Warmenhoven received \$450,000 in Salary, \$920,706 in RSUs, \$952,572 in Option Awards, \$250,470 in Nonequity Incentive Plan Compensation, and \$625 in All Other Compensation for a total of \$2,574,373. As of April 27, 2012, Mr. Warmenhoven held options to purchase an aggregate of 2,914,060 shares of common stock and RSUs covering an aggregate of 32,300 shares of common stock.
- (4) The table below sets forth the number of shares of common stock subject to outstanding options and RSUs held by the nonemployee directors as of April 27, 2012:

Name	# of Outstanding Options (in Shares)	# of RSUs (in Shares)	Total Equity Awards Outstanding
Nicholas G. Moore	109,500	9,499	118,999
Jeffry R. Allen	186,500	2,833	189,333
Alan L. Earhart	41,500	2,833	44,333
Gerald Held	46,000	15,332	61,332
T. Michael Nevens	92,000		92,000
George Shaheen	168,500	2,833	171,333
Robert T. Wall	165,000		165,000
Richard P. Wallace	44,500	9,166	53,666





**Summary of Director Compensation Policy****Fiscal 2012**

The following table sets forth a summary of our total compensation policy for our nonemployee directors for fiscal year 2012:

Position	Annual	Equity Grant/Stock Options	
	Cash Retainer	Initial Grant	Annual Grant
Board Member	\$ 50,000	\$ 500,000	17,000
Lead Independent Director	\$ 30,000		3,000
Audit Committee:			
Chairperson	\$ 30,000		3,000
Member	\$ 15,000		
Compensation Committee:			
Chairperson	\$ 16,000		3,000
Member	\$ 8,000		
Corporate Governance and Nominating Committee:			
Chairperson	\$ 10,000		3,000
Member	\$ 5,000		
Strategy Committee:			
Chairperson	\$ 10,000		3,000
Member	\$ 5,000		

Our nonemployee directors are eligible to receive equity awards under the Automatic Award Program of the 1999 Plan pursuant to an outside director compensation policy adopted by the Board and the Compensation Committee, which may be revised from time to time as the Board or the Compensation Committee deems appropriate. Such equity grants are made automatically upon a director's first election or appointment to the Board and at each Annual Meeting of Stockholders thereafter to directors who are re-elected and continue to serve. Pursuant to the terms of the compensation policy, 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. The initial equity award for new nonemployee directors is represented as a dollar value rather than a fixed number of shares. For these purposes, the value of any awards of restricted stock or restricted stock units will equal the product of the fair market value of one share of common stock on the grant date of such award, and the aggregate number of shares of restricted stock or number of restricted stock units. With respect to stock options, the value is determined by using the Black-Scholes option valuation methodology, or such other methodology the Board or Compensation Committee may determine, on the grant date of the option. See Proposal No. 2 for a more thorough description of the Automatic Award Program.

Each nonemployee director is also eligible to receive an annual cash retainer for his or her board and committee service, pursuant to the terms of the compensation policy. 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, 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.

In May 2012, the Company adopted stock ownership guidelines applicable to the Company's nonemployee directors to ensure the directors remain meaningfully invested in Company stock. Under the terms of the

guidelines, each nonemployee director shall hold a minimum number of shares of the Company's common stock equal in value to at least three times the amount of such director's annual cash retainer amount. The Company's nonemployee directors have five years from the adoption date of the stock ownership guidelines to meet these guidelines. For more information about the Company's stock ownership guidelines, see Compensation Discussion and Analysis - Stock Ownership Guidelines below.

At the 2011 Annual Stockholders Meeting held on August 31, 2011, 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, on August 31, 2011, Messrs Allen, Earhart, Moore and Wall received an option grant for service as either the Lead Independent Director or Chair of a Board Committee. 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(1)	Restricted Stock Units (in Shares)	Stock Option Grants (in Shares)	Stock Option Exercise Price \$(2)	Grant Date
Nicholas G. Moore	2,833	8,500	\$ 37.62	August 31, 2011
Nicholas G. Moore		6,000	\$ 37.62	August 31, 2011
Jeffrey R. Allen	2,833	8,500	\$ 37.62	August 31, 2011
Jeffrey R. Allen		3,000	\$ 37.62	August 31, 2011
Alan L. Earhart	2,833	8,500	\$ 37.62	August 31, 2011
Alan L. Earhart		3,000	\$ 37.62	August 31, 2011
Gerald Held	2,833	8,500	\$ 37.62	August 31, 2011
T. Michael Nevens		17,000	\$ 37.62	August 31, 2011
George Shaheen	2,833	8,500	\$ 37.62	August 31, 2011
Robert T. Wall		17,000	\$ 37.62	August 31, 2011
Robert T. Wall		3,000	\$ 37.62	August 31, 2011
Richard P. Wallace		17,000	\$ 37.62	August 31, 2011

- (1) Mr. Warmenhoven does not receive compensation as a director. He receives compensation as the Executive Chairman of the Company. Please see footnote to the Director Compensation Table.
- (2) Represents the fair market value per share of common stock on the grant date.

#### **Fiscal 2013**

In April 2012, the Compensation Committee evaluated the compensation for nonemployee directors and determined to keep the terms of the compensation arrangement for nonemployee directors for fiscal year 2013 the same as they were for fiscal 2012.

#### **Vote Required**

Directors are elected by a plurality vote. The 10 nominees for director receiving the highest number of Votes Cast 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 election of each nominee.

#### **The Board of Directors Unanimously Recommends That Stockholders**

#### **Vote FOR the Election of All Nominees Named Above**

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**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 the number of shares that may be issued thereunder by 7,350,000. 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 Meeting. Approval of the 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 attracting 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, 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 of 1986, as amended ( Section 162(m) ), 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 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 111,380,429 shares will be reserved for issuance under the 1999 Plan. As of June 20, 2012, (i) 31,578,663 shares were subject to outstanding awards granted under the 1999 Plan, of which 20,262,623 shares were subject to option awards and 11,316,040 shares were subject to full value awards, (ii) 12,461,582 shares remained available for any new awards to be granted in the future, of which 5,397,059 shares may be granted as RSUs or other full value awards, and (iii) 59,990,184 shares had been issued pursuant to awards thereunder. The outstanding option awards have a weighted average exercise price of \$30.66 per share and a weighted average remaining term of 4.1 years. The closing price of our common stock was \$30.97 on June 20, 2012.

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 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 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 Section 162(m).

### **Automatic Award Program**

The terms of the 1999 Plan provide that our nonemployee directors will automatically receive equity grants pursuant to a compensation policy adopted by the Board or the Compensation Committee that may be revised from time to time as the Board or the Compensation Committee deems appropriate. The Board has instituted a compensation policy for nonemployee directors 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 Board or Compensation Committee, in their respective discretion, may change and otherwise revise the terms of awards granted pursuant to the compensation policy for awards granted on or after the date they make the change.

Pursuant to the terms of the compensation policy, each new individual who is first elected or appointed as a nonemployee director on or after July 14, 2011 will automatically receive, on the date of his or her initial election or appointment to the Board, an award with a value of \$500,000 that will consist of either (i) a nonstatutory stock option, 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 and RSUs. For these purposes, the value of any awards of restricted stock or restricted stock units will equal the product of (1) the fair market value of one share of common stock on the grant date of such award, and (2) the aggregate number of shares of restricted stock or number of restricted stock units. With respect to stock options, the value is determined by using the Black-Scholes option valuation methodology, or such other methodology the Board or Compensation Committee may determine prior to the grant of a stock option becoming effective, on the grant date of the option. On the date of each annual stockholder meeting beginning with the 2011 Annual Meeting, each nonemployee director who is to continue to serve as a nonemployee director automatically receives an award of either (i) a nonstatutory stock option to purchase 17,000 shares, or (ii) if the Plan Administrator permits and the nonemployee director makes a timely election in accordance with the provisions of the compensation policy, a nonstatutory stock option to purchase 8,500 shares and 2,883 RSUs. In addition, each nonemployee director who serves as the Lead Independent Director or as chairperson of the Audit Committee, Compensation Committee, Corporate Governance and Nominating Committee, or the Strategy Committee will automatically be granted an option to purchase 3,000 shares.

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 compensation policy 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 compensation policy 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 5/11ths of the 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 RSUs vesting in three (3) equal annual installments 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 compensation policy 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.

#### **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 2012, (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 2012, and (4) the dollar value of such shares based on \$30.97 per share, the fair market value of our common stock, on June 20, 2012.

## 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 <i>Chief Executive Officer and President</i>	275,000	\$ 53.22	25,000	\$ 774,250
Nicholas R. Noviello <i>Executive Vice President Finance and Chief Financial Officer(1)</i>	57,500	\$ 44.52	18,800	\$ 582,236
Steven J. Gomo <i>Former Executive Vice President Finance and Chief Financial Officer(2)</i>	64,000	\$ 53.22	20,100	\$ 622,497
Robert E. Salmon <i>Executive Vice President Field Operations</i>	64,000	\$ 53.22	20,100	\$ 622,497
Manish Goel <i>Executive Vice President Product Operations</i>	70,000	\$ 53.22	21,900	\$ 678,243
Matthew K. Fawcett <i>Senior Vice President and General Counsel</i>	21,500	\$ 53.22	6,800	\$ 210,596
Daniel J. Warmenhoven <i>Executive Chairman and Executive Chairman of the Board</i>	55,000	\$ 53.22	17,300	\$ 535,781
Nicholas Moore <i>Lead Independent Director</i>	14,500	\$ 37.62	2,833	\$ 87,738
Jeffrey Allen <i>Director</i>	11,500	\$ 37.62	2,833	\$ 87,738
Alan Earhart <i>Director</i>	11,500	\$ 37.62	2,833	\$ 87,738
Gerald Held <i>Director</i>	8,500	\$ 37.62	2,833	\$ 87,738
T. Michael Nevens <i>Director</i>	17,000	\$ 37.62		
George Shaheen <i>Director</i>	8,500	\$ 37.62	2,833	\$ 87,738
Robert Wall <i>Director</i>	20,000	\$ 37.62		
Richard P. Wallace <i>Director</i>	17,000	\$ 37.62		
All current executive officers, as a group (5 persons)	488,000	\$ 52.19	92,600	\$ 2,867,822
All directors who are not executive officers, as a group (9 persons)	163,500	\$ 42.87	31,465	\$ 974,471
All employees, including current officers who are not executive officers, as a group (7,582 persons)	1,473,080	\$ 50.89	6,433,551	\$ 199,247,074

(1) Mr. Noviello assumed this position effective January 1, 2012.

(2) Mr. Gomo retired effective December 31, 2011.



### **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 Internal Revenue Code of 1936, as amended (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, 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 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 an 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 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 the amendment to the 1999 Plan described in this Proposal No. 2. 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. 2**

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**PROPOSAL NO. 3:**

**AMENDMENT TO THE COMPANY'S EMPLOYEE STOCK PURCHASE PLAN**

**Introduction**

The Company is asking the stockholders to approve an amendment 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.

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.

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 with the SEC as Appendix B to this Proxy Statement. 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 (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 43,700,000 shares. As of June 20, 2012, 35,699,698 shares had been issued under the Purchase Plan, and 3,000,302 shares were available for future issuance. The closing price of our common stock was \$30.97 on June 20, 2012.

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 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 June 20, 2012, approximately 12,216 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 June 20, 2012, the closing selling price per share of the Company's common stock on the NASDAQ Global Select Market was \$30.97.

### **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.

### **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 of Control**

In the event a change of control occurs, all outstanding purchase rights will automatically be exercised immediately prior to the effective date of such change of control. 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 of control occurs or (2) the fair market value per share immediately prior to the effective date of such change of control.

A *change of 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 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**

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 of 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 2012, 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**

<b>Name</b>	<b>Number of Purchased Shares</b>	<b>Dollar Value of Purchased Shares(1)</b>
Thomas Georgens <i>Chief Executive Officer and President</i>	479	\$ 4,986
Nicholas R. Noviello <i>Executive Vice President Finance and Chief Financial Officer(2)</i>	479	\$ 4,986
Steven J. Gomo <i>Former Executive Vice President Finance and Chief Financial Officer(3)</i>	479	\$ 4,986
Robert E. Salmon <i>Executive Vice President Field Operations</i>	479	\$ 4,986
Manish Goel <i>Executive Vice President Product Operations</i>	479	\$ 4,986
Matthew K. Fawcett <i>Senior Vice President and General Counsel</i>	958	\$ 6,338
All current executive officers as a group (5 persons)	2,395	\$ 21,295
All employees, including current officers who are not executive officers, as a group (8,360 persons)	2,590,949	\$ 25,927,317

- (1) Determined based on the fair market value of the shares on date of purchase, minus the purchase price under the Purchase Plan.
- (2) Mr. Noviello assumed this position effective January 1, 2012.
- (3) Mr. Gomo retired effective December 31, 2011.

#### **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 and its stockholders 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. Unless you indicate otherwise, your proxy will be voted FOR the proposal.

**The Board of Directors Unanimously Recommends That Stockholders**

**Vote FOR Proposal No. 3**

**PROPOSAL NO. 4**

**ADVISORY VOTE ON NAMED EXECUTIVE OFFICER COMPENSATION**

**SAY ON PAY**

In accordance with Section 14A of the Exchange Act, we are asking stockholders to approve an advisory resolution on the compensation of our Named Executive Officers ( NEOs ) as reported in this Proxy Statement. As described below in the Compensation Discussion and Analysis section of this Proxy Statement, the Compensation Committee has designed the compensation of our NEOs to align each NEO's compensation with our short-term and long-term performance and to provide the compensation and incentives needed to attract, motivate and retain the NEOs, who are crucial to our long-term success. You are urged to read the Compensation Discussion and Analysis, which describes in more detail our executive compensation policies, as well as the Summary Compensation Table and other related compensation tables and narrative disclosure, which provide detailed information on the compensation of our NEOs.

Our compensation programs reflect our continued commitment to pay-for-performance, with a substantial portion of each NEO's compensation being at-risk and subject to important performance measures aligned with long-term stockholder value. During fiscal 2012, a significant percentage of each NEO's total compensation (as reported in the Summary Compensation Table) was at-risk, being comprised of performance-based cash bonus opportunities, restricted stock units, and stock options, which become valuable to the executive only upon realized share appreciation. The Compensation Committee sets a portion of the compensation of the NEOs based on their ability to achieve annual operational objectives that advance our long-term business objectives and that are designed to create sustainable long-term stockholder value in a cost-effective manner. Our performance-based compensation elements are guided by the Compensation Committee's long-term objectives of maintaining market competitiveness and retention value of our compensation packages. In addition, we continue to be committed to good compensation governance practices. The Compensation Committee believes that the compensation arrangements for NEOs are consistent with market practice and provide for compensation that is reasonable in light of our and each individual NEO's performance. Moreover, the Compensation Committee does not provide for egregious pay practices, such as excessive perquisites or tax gross up payments as elements of our NEOs' compensation. The detailed ways in which we link pay with Company and individual performance and structures the NEO compensation arrangements consistent with good governance practices is described in the Compensation Discussion and Analysis section below.

The resolution to approve the compensation of our NEOs on an advisory basis, commonly known as a say-on-pay proposal, gives stockholders the opportunity to express their views on our NEOs' compensation. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our NEOs and the philosophy, policies and practices described in this Proxy Statement. Accordingly, you are being asked to vote on the following resolution at the Annual Meeting:

RESOLVED, that the Company's stockholders approve, on an advisory basis, the compensation of the NEOs, as disclosed in the Company's Proxy Statement for the 2012 Annual Meeting of Stockholders pursuant to the executive compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the fiscal 2012 Summary Compensation Table and the other related tables and disclosure.

The say-on-pay vote is advisory, and is therefore not binding on us, the Compensation Committee or the Board. However, the Board and Compensation Committee value the opinions of our stockholders, and to the extent there is any significant vote against the NEO compensation disclosed in this Proxy Statement, the Compensation Committee will consider the Company's stockholders' concerns and will evaluate whether any actions are necessary to address those concerns. We currently conduct advisory votes on NEO compensation on an annual basis, and we expect to conduct our next advisory vote at our 2013 Annual Meeting of Stockholders.



**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 be voted FOR the proposal.

**The Board of Directors Unanimously Recommends That Stockholders**

**Vote, on an Advisory Basis, FOR Proposal No. 4**

**PROPOSAL NO. 5**

**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 26, 2013.

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. 5**

**PROPOSAL NO. 6**

**STOCKHOLDER PROPOSAL**

John Chevedden, 2115 Nelson Avenue, No. 205, Redondo Beach, CA 90278, beneficial owner of shares of the Company's common stock valued at \$2,000 or greater, has given notice that he intends to present a proposal for action at the Annual Meeting. In accordance with SEC rules, the following is the complete text of the proposal exactly as submitted. The shareholder proposal includes some assertions that we believe are misleading. We have not addressed all of these assertions, and we accept no responsibility for the proposal.

**6 Adopt Simple Majority Vote**

Shareholders request that our board take the steps necessary so that each shareholder voting requirement in our charter and bylaws that calls for a greater than simple majority vote be changed to require a majority of the votes cast for and against such proposals. If necessary this means the closest standard to a majority of the votes cast for and against such proposals consistent with applicable laws.

Shareowners are willing to pay a premium for shares of corporations that have excellent corporate governance. Supermajority voting requirements have been found to be one of six entrenching mechanisms that are negatively related to company performance. Source: "What Matters in Corporate Governance?" by Lucien Bebchuk, Alma Cohen and Allen Ferrell, Harvard Law School, Discussion Paper No. 491 (September 2004, revised March 2005).

This proposal topic won from 74% to 88% support at Weyerhaeuser, Alcoa, Waste Management, Goldman Sachs, FirstEnergy, McGraw-Hill and Macy's. The proponents of these proposals included Ray T. Chevedden and Kenneth Steiner.

Currently a 1%-minority can frustrate the will of our 66%-shareholder majority. Supermajority requirements are arguably most often used to block initiatives supported by most shareowners but opposed by management.

The merit of this proposal should also be considered in the context of the opportunity for additional improvement in our company's 2012 reported corporate governance in order to make our company more competitive:

The Corporate Library, an independent investment research firm, rated our company D with High Governance Risk and High Concern in Executive Pay.

Our CEO Thomas Georgens was given 300,000 market-priced stock options (\$4 million) in 2011 after receiving 900,000 in 2010. Our CEO also realized \$13 million from the exercise of 675,000 options—a profit of \$19 per share. Mr. Georgens also received restricted stock units that simply vested over time, similar to his options. Furthermore, our CEO was potentially entitled to \$49 million following a change of control. Finally, our company had no clawback policy for the recovery of executive pay in the event of fraud or financial restatements.

Chairman Daniel Warmenhoven and Director Robert Wall had more than 18-years tenure each, an independence concern. Two directors were insiders and another director was inside-related—more independence concerns. Mr. Warmenhoven was reimbursed \$400K for using his private plane for company business. Four directors owned zero-stock.

George Shaheen was designated a "flagged [problem] director" by The Corporate Library due to his Webvan stint, where he resigned after eighteen months and was then entitled to a golden parachute of \$375,000 annually for the rest of his life. Webvan traded at 12 cents when Mr. Shaheen left. And it is a sad irony that Mr. Shaheen was 33% of our executive pay committee.

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Please encourage our board to respond positively to this proposal to initiate improved governance and increase our competitiveness: **Adopt Simple Majority Vote Yes on 6.**

### **NetApp's Response**

The Board of Directors has carefully considered this proposal and has determined not to make a recommendation either in favor of or opposed to the proposal.

The Company's certificate of incorporation and bylaws currently provide that most actions to be taken by stockholders require the affirmative vote of a majority of the number of Votes Cast. The principal actions to be taken by stockholders that require more than the affirmative vote of a majority of the number of Votes Cast are:

stockholder amendments to the provisions of the certificate of incorporation in respect of (i) stockholder amendments to the bylaws, (ii) elections of directors and the filling of vacancies on the Board, (iii) the ability of stockholders to act by written consent and certain procedural matters related to stockholder meetings, and (iv) director and officer indemnification and director exculpation; and

stockholder amendments to the bylaws (a similar provision to that included in the certificate of incorporation).

With respect to the foregoing matters, the Company's certificate of incorporation and bylaws require the affirmative vote of the holders of at least 66<sup>2</sup>/<sub>3</sub>% of the outstanding voting stock of the Company in order to repeal or amend any of these provisions. This is commonly known as a supermajority vote provision.

Supermajority vote provisions are included in the certificates of incorporation and bylaws of many publicly-traded Delaware corporations. Supporters of these provisions believe that they provide minority stockholders with some level of protection against self-interested actions by one or more large stockholders and ensure that the consensus of a substantial majority of stockholders exists in favor of certain actions.

The Board is aware that in recent years a number of companies have eliminated supermajority vote provisions under the theory that doing so increases a board's accountability to stockholders and the ability of stockholders to influence corporate governance.

Valid arguments exist on both sides of this issue. Accordingly, rather than make a specific recommendation, the Board wants to understand the Company's stockholders' views on this issue prior to reaching its final viewpoint. The Board is committed to good governance practices and continuously monitors governance issues of interest to stockholders. The Board will consider the level of support that this proposal receives in making a determination regarding the advisability of adopting amendments to the Company's certificate of incorporation and bylaws to eliminate the supermajority voting provisions described above. The Board would only adopt such amendments if, consistent with its fiduciary duty, it believed them to be in the best interests of the Company and all of its stockholders. The Board looks forward to receiving input from stockholders on this important issue.

### **Vote Required**

This proposal is advisory in nature and would constitute a recommendation to the Board if it is approved by stockholders. Approval of the proposal by the affirmative vote of a majority of the number of Votes Cast would not by itself eliminate the Company's supermajority voting provisions described above, and action by the Board would be required to amend the Company's certificate of incorporation and bylaws to eliminate these provisions. 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 **ABSTAIN** for the proposal.

**The Board of Directors Makes No Voting Recommendation on Proposal No. 6**

## 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 June 20, 2012 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	BlackRock, Inc.(2)	20,781,789	5.58%
	40 East 52nd Street		
	New York, NY 10022		
	Thomas Georgens(3)	1,035,511	*
	Nicholas R. Noviello(4)	126,547	*
	Steven J. Gomo(5)	21,552	*
	Robert F. Salmon(6)	386,018	*
	Manish Goel(7)	81,220	*
	Matthew K. Fawcett(8)	44,596	*
	Daniel J. Warmenhoven(9)	5,013,833	1.35%
	Nicholas G. Moore(10)	95,000	*
	Jeffry R. Allen(11)	200,499	*
	Alan L. Earhart(12)	33,333	*
	Gerald Held(13)	27,759	*
	T. Michael Nevens(14)	55,000	*
	George T. Shaheen(15)	161,633	*
	Robert T. Wall(16)	282,571	*
	Richard P. Wallace(17)	12,500	*
	All current directors and executive officers as a group (14 persons)(18)	7,577,572	2.03%

\* Less than 1%

- (1) Percentage of Class is based on 372,552,226 shares of common stock outstanding on June 20, 2012. Shares of common stock subject to stock options and restricted stock units (RSU) that are currently exercisable or will become exercisable/issuable within 60 days of June 20, 2012 are deemed outstanding for computing the percentage of the person or group holding such options and/or RSUs, 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/A filed with the SEC on February 9, 2012 by BlackRock, Inc. ( "BlackRock" ), a New York company on behalf of itself. BlackRock's principal business office is located at 40 East 52nd Street, New York, NY 10022. BlackRock, in its capacity as a parent holding company, has the sole power to vote or direct the vote of, and dispose or direct the disposition of, 20,781,789 shares held by its subsidiaries.

- (3) Includes 134,000 shares of common stock issuable upon exercise of options granted under the 1995 Stock Option Plan ( 1995 Plan ), and 892,707 shares of common stock issuable upon exercise of options granted under the 1999 Plan, each of which are currently exercisable or will become exercisable within 60 days of June 20, 2012.
- (4) Includes 11,000 shares of common stock issuable upon exercise of options granted under the 1995 Stock Option Plan ( 1995 Plan ), and 100,728 shares of common stock issuable upon exercise of options granted under the 1999 Plan, each of which are currently exercisable or will become exercisable within 60 days of June 20, 2012.
- (5) Mr. Gomo retired effective December 31, 2011.
- (6) Includes 20,531 shares held by Robert Salmon and Patricia Mertens-Salmon, trustees to the Salmon Trust; and 480 shares held by Patricia Mertens-Salmon, Custodian under UTMA CA. Includes 133,334 shares of common stock issuable upon exercise of options granted under the 1995 Plan and 218,069 shares of common stock issuable upon exercise of options granted under the 1999 Plan, each of which are exercisable or will become exercisable within 60 days of June 20, 2012.
- (7) Includes 55,416 shares of common stock issuable upon exercise of options granted under the 1999 Plan which are currently exercisable or will become exercisable within 60 days of June 20, 2012.
- (8) Includes 43,248 shares of common stock issuable upon exercise of options granted under the 1999 Plan which are currently exercisable or will become exercisable within 60 days of June 20, 2012.
- (9) Includes 2,051,031 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 38,032 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 404,262 shares of common stock issuable upon exercise of options granted under the 1995 Plan; and 2,380,838 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 June 20, 2012.
- (10) Consists of 10,000 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 5,000 shares are held by The Moore Family Ventures LP, of which Mr. Moore is General Partner. Also includes 85,000 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 20,000 shares are held by The Moore Family Ventures LP, of which Mr. Moore is General Partner.
- (11) Includes 15,000 shares of common stock issuable upon exercise of currently exercisable options granted under the 1995 Plan, and 160,000 shares of common stock issuable upon exercise of currently exercisable options granted under the 1999 Plan.
- (12) Includes 30,000 shares of common stock issuable upon exercise of currently exercisable options granted under the 1999 Plan.
- (13) Includes 27,500 shares of common stock issuable upon exercise of currently exercisable options or vesting of RSUs granted under the 1999 Plan.
- (14) Consists of common stock issuable upon exercise of currently exercisable options granted under the 1999 Plan.
- (15) Includes 1,633 shares held in trust by George T. Shaheen and Darlene F. Shaheen, trustees to the Shaheen Revocable Trust, and 160,000 shares of common stock issuable upon exercise of currently exercisable options granted under the 1999 Plan.
- (16) Includes 145,000 shares of common stock issuable upon exercise of currently exercisable options granted under the 1999 Plan.
- (17) Consists of common stock issuable upon exercise of currently exercisable options granted under the 1999 Plan.
- (18) Includes 707,596 shares of common stock issuable upon exercise of options granted under the 1995 Plan, and 4,316,006 shares of common stock issuable upon the exercise of options granted under the 1999 Plan, each of which are currently exercisable or will become exercisable/issuable within 60 days of June 20, 2012.

**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 27, 2012, its executive officers, directors and greater than 10% stockholders complied with all Section 16 filing requirements, other than two late Form 4 filings by Mr. Warmenhoven reporting a total of four transactions of sales of the Company's common stock. The four sales were transacted by the trustee of the Daniel J. Warmenhoven 1991 Children's Trust during fiscal 2010 and fiscal 2011.

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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 remuneration policies for the balance of our employee population and for administering our equity incentive and benefits plans. As used in this Compensation Discussion and Analysis ( CD&A ), the term executive refers to an employee of the Company who holds a position at the Senior Vice President level or above, and the term named executive officers ( NEOs ) refers to the individuals included in the Summary Compensation Table below.

This CD&A explains the material elements of compensation for our NEOs and how our executive compensation program is designed and operated to help us achieve our corporate goals. The Compensation Committee believes strongly in a pay for performance philosophy and administered the executive compensation program during fiscal 2012 with this in mind.

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

1. Base salary;
2. Cash incentive compensation tied to the 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).

Our stockholders will have the opportunity once again at this year's Annual Meeting to endorse our executive compensation program through the stockholder advisory vote on executive compensation (commonly known as a say-on-pay vote) included as Proposal 4 in this Proxy Statement. Last year, over 94% of the stockholder votes cast on this proposal were voted in favor of our executive compensation proposal. The Compensation Committee believes that this substantial majority of votes cast affirms stockholders' support for our approach to executive compensation. Last year's stockholder vote on executive compensation occurred in August 2011, while the Compensation Committee's consideration of executive compensation occurred earlier in 2011, with compensation for most elements established by May 2011. As a result of both of these factors, the Compensation Committee did not set or change fiscal 2012 executive compensation directly as a result of last year's stockholder vote. The Compensation Committee expects to continue to consider input from stockholders and the outcome of our annual say-on-pay votes when making future executive compensation decisions. We encourage you to review this CD&A, together with the compensation tables that follow, prior to casting your advisory vote on the say-on-pay proposal.

### **Executive Summary**

Our executive compensation program is designed to hold our NEOs accountable for results over the long term and reward them for consistently strong corporate performance.

### ***Pay for Performance Philosophy***

Our Compensation Committee is committed to a philosophy of pay for performance and designs our executive compensation program to ensure that our NEOs' interests are aligned with those of our stockholders. The Compensation Committee links NEOs' compensation to the attainment of challenging goals that will drive us to achieve profitability and revenue growth. The Compensation Committee emphasizes profitability and revenue metrics because it believes that solid performance in these areas will lead to long-term stockholder value.



Equity is a key component of our compensation program. We believe strongly that equity awards serve to align the interests of our NEOs with those of our stockholders, provide incentives for executives to focus on the long-term performance of the company, and strengthen retention. The Compensation Committee considers Company and individual performance in determining the size and form of NEO equity grants.

As part of its diligence around scrutinizing pay and performance, the Compensation Committee, on behalf of the full Board, reviews analyses that are prepared by its independent consultant, Farient Advisors ( Farient ). These analyses are designed to test the award outcomes of our executive pay programs to ensure that they are aligned with our financial and stockholder performance. Following the close of fiscal 2012, Farient used its proprietary alignment methodology to test whether the Company's Performance-Adjusted Compensation<sup>TM</sup> (PAC<sup>TM</sup>)<sup>1</sup> was: (1) reasonable in comparison to the Company's revenue size and the Pay Practices Peers (excluding the five companies that are significantly different in size as described in the Competitive Market Data section below) and (2) sensitive to the Company's total stockholder return ( TSR ) over time.<sup>2</sup> Farient compared our CEO's Performance-Adjusted Compensation (covering actual salary, actual short-term incentives, and performance-adjusted long-term incentive values) over rolling three-year periods to TSR for the same rolling three-year periods (for three-year rolling periods ending in fiscal 2004 to 2012), and tested the results against those same variables for the Pay Practices Peers.

The chart below shows Farient's Alignment Report<sup>TM</sup> for the Company. The Peer Pay Line represents the regression line for the PAC data points of the Pay Practices Peers, and the NetApp Pay Line represents the regression line for NetApp's PAC data points. The Alignment Zone indicates the range of reasonable pay outcomes, as determined by Farient, for the Company's size, the Pay Practices Peers, and the performance delivered.

<sup>1</sup> Performance-Adjusted Compensation<sup>TM</sup> is a trademark of Farient Advisors LLC developed to measure compensation outcomes after performance has occurred, rather than target compensation, which is measured before performance has occurred.

<sup>2</sup> Each data point reflects Performance-Adjusted Compensation (adjusted for size and inflation) for a three-year period (ending in the fiscal year noted on the chart for the Company) and TSR for the same period. As TSR is a market-based measure, stock price volatility can result in significant fluctuations from period to period. Farient uses rolling three-year periods which are sensitive enough to reflect changes in performance but long enough to smooth out short-term volatility.

Farient's independent assessment of the Company's pay for performance indicates that NetApp's CEO pay has historically been and continues to be strongly aligned with the Company's performance and stockholder interests. In addition, Farient conducted supplemental analyses commonly used by independent governance organizations to test whether our CEO's pay and performance move in concert with one another. By requesting and reviewing these analyses, the Compensation Committee satisfied itself as to the coherence and integrity of our executive pay system and the relationship between pay and performance.

### ***Company Performance***

We experienced strong performance in fiscal 2011 and the Compensation Committee's goal was to incentivize our NEOs to lead us to even stronger performance in fiscal 2012. During fiscal 2012, we continued progress on a number of strategic and operational fronts, which included:

Our strong product growth rate in the storage business resulted in additional market share gain;

Our recent launch of our operating system, Data ONTAP® 8, further strengthened our position as the platform of choice for the next-generation IT infrastructure;

We are now viewed as a clear innovation leader in virtualized environments, producing solutions that are efficient, flexible, automated and secure, all with less complexity and a smaller footprint than those of the competition;

Our channel diversification and channel relationships remain strong, with the related market diversification of our channels being a key driver to our growth strategy;

We achieved revenues of \$6.23 billion, an increase of 22% over fiscal 2011. Through the fourth quarter of fiscal 2012, we had nine consecutive quarters of over 20% year-over-year product revenue growth;

Record net revenue combined with operating expense discipline helped us achieve operating profit above that achieved in fiscal year 2011<sup>3</sup>;

Our cash flow from operations for fiscal 2012 totaled \$1.462 billion, allowing us to continue to fund our investments in future growth, while increasing returns to stockholders through the repurchase of over \$600 million of our common stock during the year;

We completed the purchase of the Engenio external storage systems business, extending our strategic reach with new OEM business;

We were honored to be named #6 on Fortune Magazine's 2012 list of the 100 Best Companies to Work For, our fourth consecutive year in the top 10. We have always stressed that our culture is a long-term strategic advantage, and this process enables us to measure ourselves against the very best and identify opportunities for improvement;

NetApp was named a Fortune 500 company by Fortune Magazine, the annual ranking of America's largest publicly and privately-held companies, based on the company's fiscal 2011 revenue of \$5.1 billion.

The Compensation Committee believes that our financial performance is best expressed through our operating profit and revenue results for the year. Operating profit encourages our NEOs to deliver strong product offerings for customers that are priced competitively, while effectively managing resources that directly impact the Company's underlying operations and therefore positively or negatively impact operating profit. Metrics relating to increased revenue ensure that we will continue to invest in our product and services portfolio and leverage our channel partners to drive top line growth, and will keep our NEOs from focusing solely on improvements in our cost

<sup>3</sup> All references to operating profit in this CD&A refer to non-GAAP measures of operating profit, the calculation and use of which is discussed in greater detail below under Components of Compensation Incentive Compensation Plan.

structure to drive operating income. We were able to build on our strong fiscal 2011 performance in fiscal 2012 as evidenced by the year over year performance for these key metrics described above.

We feel this level of Company achievement is directly attributable to the results driven by our executive team and the commitment by the Compensation Committee to pay for performance. This performance and supporting philosophy have resulted in significant value to our stockholders as reflected in our total stockholder return as shown in the table below.

Annualized Total Stockholder Return	Year Over Year (%) fiscal 2011 vs. fiscal 2012		3-Year (%) fiscal 2010    fiscal 2012	
	NetApp, Inc.	-25%		
S&P 500	3%			17%

***Alignment of Performance and Compensation***

In fiscal 2012, our executive compensation program aligned compensation with our business objectives and performance as follows:

*Incentive Compensation Plan* Our cash incentive plan aligns executive compensation with our annual performance and motivates our NEOs to enhance the value of the Company. Our NEOs only earn their incentives if we achieve threshold levels of performance for operating profit and revenue. When the annual performance target goals are exceeded, accelerators are triggered (up to capped limits) in order to reward the higher than expected performance, while decelerators are applied (down to the threshold levels) if the actual results are lower than the performance targets. For fiscal 2012, the Company achieved 86.4% of our annual target operating profit goal and 92.1% of our annual target revenue goal, which resulted in payment of cash incentives to our NEOs equal to 50.6% of their target amounts.

*Equity Awards* We grant our NEOs awards of stock options and restricted stock units ( RSUs ) to align their incentives with the long-term interests of our stockholders, reward them for their contributions, and provide them an opportunity to share in our positive performance. The size of the awards was based in part on our strong fiscal 2011 performance and their expected future contributions to our long-term success. The value of these awards ultimately depends on the performance of our stock.

*Base Salary* Our base salary compensation is designed to promote excellence in the day-to-day management and operation of our business. Adjustments to base salary are driven by Company performance and market forces. This is a fixed element of compensation, but represents less than 20% of our NEOs total target compensation.

The link between Company performance, the performance of our stock, and compensation for our NEOs is illustrated by the following charts, which show the portion of 2012 compensation for our CEO and the other NEOs disclosed in the Summary Compensation Table below.

As these charts illustrate, most of our CEO's and other NEOs' 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 linking more of our NEOs' total compensation to performance, the Company emphasizes variable pay, which is consistent with the Company's pay for performance philosophy.

***Other Compensation Considerations***

As noted above, the Compensation Committee seeks to ensure that total compensation is weighted to variable, performance-based compensation and that non-performance-based compensation is limited. In addition, we adhere to the following best practices for our executive compensation programs and policies:

*No Pension or SERPs.* We do not provide our NEOs with a defined benefit pension plan or any supplemental executive retirement plans. Our employees, including NEOs, are able to participate in our 401(k) plan.

*No Individual Executive Contracts.* We do not have separate employment contracts with our executive officers.

*Double Trigger Change of Control Severance Agreements.* Our change of control severance agreements provide severance payments and accelerated vesting of equity awards only on a "double trigger" basis.

*No Tax Gross-Ups.* Tax gross-ups are not provided to our NEOs on change of control severance payments or any other compensation.

*Ownership Guidelines.* Equity compensation encourages our directors and executives to have an owner's perspective in managing the Company. To extend and maintain that ownership perspective over time, in May 2012, the Company adopted approved stock ownership guidelines for the Company's directors, Chief Executive Officer, and all Executive Vice Presidents (discussed further below in Policies Regarding Granting of Equity Awards).

*Risk Oversight.* The Compensation Committee oversees and evaluates the design and implementation of the incentives and risks associated with our compensation policies and practices. In addition, the Audit Committee reviews risks associated with compensation policies and practices as part of its overall corporate risk management assessment.

*Independent Compensation Consultant.* The Compensation Committee's compensation consultant provides services only for the Compensation Committee and does not provide any other services to the Company.

The Compensation Committee believes that the programs and policies described above demonstrate our commitment to an effective pay-for-performance executive compensation program in 2012. For more information, please see the discussion below.

### **Principles and Objectives of Compensation**

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

Drive long-term positive stock performance by linking a meaningful portion of NEO compensation to the creation of stockholder value;

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

Recruit and retain experienced and highly qualified executives despite the competitive labor environment in which the Company competes for such talent; and

Motivate our NEOs to perform to the best of their abilities while conducting themselves ethically.

The Compensation Committee believes in a pay-for-performance philosophy. Total compensation generally is higher for our NEOs compared to other executives and employees in recognition of their greater responsibility and ability to influence the Company's performance. As an NEO's position and responsibility increase, we believe that a greater portion of his/her 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 an NEO's performance-based pay increases with higher levels of responsibility, we also believe that equity-based compensation should comprise a higher portion of total compensation. Therefore, our executive 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.

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 increase in our stock price and is also a key tool for retaining our NEOs.

### **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. At the outset of each fiscal year, the Committee establishes a formal planning calendar to ensure a consistent and deliberative approach to its executive compensation decisions, including scheduling its process for evaluating competitive market data, reviewing compensation strategy, approving executive pay actions, administering executive incentive plans, and reporting outcomes to stockholders.

In making its decisions regarding compensation, the Compensation Committee obtains the advice and counsel of Farient. In fiscal 2012, Farient provided information and guidance on our compensation strategy, our peer group, competitive pay levels and pay practices, including dilution, the regulatory environment and investor trends, the alignment between our executive pay and performance, the design of our incentive plans, including the performance measures and goals used in our Incentive Compensation Plan, our pay mix, including the mix of long-term incentive vehicles, disclosures to our stockholders, our annual compensation risk assessment, and Board compensation. Farient also provided advice on key talent development processes, including top management evaluation and succession. Farient did not provide any services to the Company other than those requested and approved by the Compensation Committee.

The Compensation Committee also solicits the input of our CEO regarding the salary, incentive compensation and equity-based compensation to be paid to our NEOs. As part of the annual review process, our CEO provides recommendations for NEOs other than himself consistent with our pay for performance philosophy, and therefore his recommendations are based on our CEO's assessment of the Company's performance and each NEO's performance of his or her duties in helping to achieve that Company performance. With respect to compensation for our CEO, the Chair of the Compensation Committee solicits input from our CEO and the Board of Directors as to their perspectives on the CEO's and the Company's performance, and from Fairient regarding CEO compensation relative to the market and company performance. The Compensation Committee deliberates and makes decisions on our CEO's compensation outside the presence of our 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.

#### ***Self-Assessment***

After each fiscal year, executives in senior vice president positions and above perform an evaluation of their performance for the prior year. To guide in this assessment, each executive is requested to analyze the Company's performance as a whole and their performance, as well as their respective team's performance, in helping to drive and support that performance. Our CEO uses this self-assessment as one of the factors, along with the others described below, in making his recommendations to the Compensation Committee regarding their compensation. Likewise, our CEO performs a similar self-assessment and communicates this to the Chairman of our Compensation Committee near the end of the fiscal year.

#### ***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 other comparable business considerations. 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.

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For fiscal 2012, the Compensation Committee reviewed and revised the Company's compensation peer group, used to benchmark compensation of our NEOs, with assistance and guidance from Fariant. In particular, the Company focused on a set of technology companies where the median revenue of the group approximates \$4 billion to \$5 billion, consistent with the Company's annual revenue upon conclusion of fiscal 2011. For fiscal 2012, the Compensation Peer Group consisted of:

Adobe Systems Inc.	Hewlett-Packard Company	Pillar Data Systems
Advanced Micro Devices, Inc.	Hitachi Data Systems	Red Hat, Inc.
Apple Inc.	Intel Corporation	Riverbed Technology, Inc.
Applied Materials Inc.	International Business Machines Corp.	Salesforce.com
BMC Software Inc.	Intuit Inc.	SanDisk Corp.
Brocade Communications Systems, Inc.	Juniper Networks, Inc.	SAP AG
CA Technologies	Lexmark International Inc.	Seagate Technology
Cisco Systems, Inc.	Logitech	Silicon Graphics International
Citrix Systems, Inc.	LSI Corporation	Symantec Corporation
CommVault Systems, Inc.	McAfee, Inc.	Teradata Corporation
Dell Inc.	Micron Technology Inc.	VMware, Inc.
eBay Inc.	Microsoft Corporation	Western Digital Corp.
EMC Corporation	NVIDIA Corporation	Yahoo! Inc.
Google Inc.	Oracle Corp.	Xilinx Inc.
Harris Corp.	QLogic Corp.	

In addition, with Fariant's assistance and guidance the Compensation Committee identified a more targeted list of fifteen 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) and to supplement our benchmarking of NEO compensation. These Pay Practices Peers consisted of the following companies:

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

\* These companies are substantially different in size from us and were therefore excluded from our pay level benchmarking analysis. However, the Compensation Committee includes 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. The Compensation Committee established this pay positioning given the highly competitive market for talent in which we participate, our rapid growth, and the relatively aggressive incentive goals for our organization. For fiscal 2012, we targeted between



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the 50<sup>th</sup> and 75<sup>th</sup> percentile for total compensation versus the Compensation Peer Group. As a starting point, the Compensation Committee looked at the ranges of base salary, target cash incentive and equity compensation between the 50<sup>th</sup> and 75<sup>th</sup> percentile within the Compensation Peer Group and used 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 on average for NEOs at approximately the 60<sup>th</sup> percentile versus the Compensation Peer Group 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 generally have been in excess of competitors.

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 our CEO and Farient when making these decisions.

For our NEOs, a majority of their 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 linking more of our NEOs' total compensation to performance, 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 reference 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 2012, modest salary increases were implemented for NEOs generally in line with salary increases considered for the general employee population and consistent with the practices being observed by our Pay Practice Peers. The Compensation Committee primarily focused on the market range of the Compensation Peer Group in adjusting base salaries for NEOs with the result that base salaries for NEOs were positioned at approximately the 60<sup>th</sup> percentile relative to the Compensation Peer Group.

### ***Incentive Compensation 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.

Similar to the establishment of base salary amounts, the Compensation Committee does not target specific percentiles within the Compensation Peer Group when making its target incentive decisions for our NEOs. Instead, the Compensation Committee refers to and evaluates the 50th to 75th percentile of the short-term cash incentive compensation of the Compensation Peer Group. Using this range ensures that the Company's short-term cash incentive compensation is competitive with the companies for which we compete for talent. For fiscal 2012, our NEOs' target short-term incentive cash compensation was positioned at approximately the 65<sup>th</sup> percentile relative to the Compensation Peer Group.

For fiscal 2012, the Compensation Committee maintained the framework for evaluating short-term incentives for our NEOs such that the incentive compensation plan established for fiscal 2012 under our Executive Compensation Plan will include a combination of revenue and operating profit targets (with revenue weighted 1/3<sup>rd</sup> and operating profit weighted 2/3<sup>rd</sup>). The Compensation Committee believes that the continued use of revenue as a performance measure for fiscal 2012 encourages our NEOs to expand market share in the

highly competitive markets within which we compete and mitigates the inherent volatility of relying solely on operating profit as the performance measure. The continued use of operating profit encourages the NEOs to manage effectively resources that directly impact the Company's underlying operations and therefore positively or negatively impact operating profit. These measures are intended to reflect the Company's business strategy, which includes making tradeoffs between operating profit margins and revenue growth. Additionally, the use of two corporate metrics encourages executives to make balanced decisions that are intended to benefit the Company as a whole, while mitigating potential risks that might exist for executives to be focused on achieving a single metric which could lead them to taking actions that could be contrary to the Company's overall interests.

Prior to or shortly after the beginning of each fiscal year, including the 2012 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 described below) and revenue. The AOP is derived from 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 and is reviewed and approved by the Board of Directors each year. The target operating profit and revenue goals for the incentive compensation plan for fiscal year 2012 were 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 related income and expenses, amortization of intangible assets, restructuring and other charges, significant asset impairments, non-cash interest expense, income tax effects, 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.

In establishing our operating income and revenue goals, we set challenging growth targets that we believe exceed growth rates relative to our peers.

The accelerators and decelerators for fiscal 2012 were maintained at the same level as in fiscal 2011. The specific performance range and payouts for each measure are as follows<sup>(?)</sup>

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

<sup>(?)</sup> Amount of awards determined by interpolating for performance between established points.

For fiscal 2012, the Company achieved 86.4% of our annual target operating profit goal<sup>4</sup> and 92.1% of our annual target revenue goal, which resulted in actual cash incentives paid to our NEOs equaling 50.6% of their target amounts.

<sup>4</sup> This metric was calculated on a non-GAAP basis as discussed in greater detail above.

### ***Long-Term Stock-Based Incentive Compensation***

The grant of equity awards to our NEOs is designed to align their interests with those of the stockholders and provide them with a significant incentive to manage the Company from the perspective of an owner with an equity stake in the business.

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 refers to and evaluates the 50th to 75th percentile of the equity practices of 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, the NEO's potential for future responsibility and promotion over time, and the remaining share reserve under the Company's equity plan. 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.

In fiscal 2012, the Compensation Committee granted both stock options and RSUs to our NEOs. Though many of the companies in the Compensation Peer Group utilize only RSUs to compensate their executives, the Compensation Committee believes that stock options are an important part of the equity package. Stock options allow 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. Accordingly, they better align the NEOs' interests with those of stockholders and drive long-term performance.

RSUs, on the other hand, are full-value grants settled in the Company's stock, which reward NEOs for changes in our stock price, but also provide retention incentive even when our stock price does not increase. We use RSUs to better manage the number of shares needed to deliver a competitive compensation package to our NEOs (as 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.

For fiscal 2012, the mix of options versus RSUs for NEOs other than our CEO was 50%-50% based on the fair value on the date of grant. The mix for our CEO was 75% options and 25% RSUs. The Compensation Committee weighted our CEO's grant more heavily to stock options because it believes that he has the greatest ability to influence the Company's performance and therefore he should have a greater portion of his award at risk by requiring an increase in the Company's stock price for him to benefit from it. The mix of options versus RSUs is reviewed by the Compensation Committee annually and may fluctuate from year to year.

For fiscal 2012, the Compensation Committee approved grants that were above the Company's competitive grant guidelines for the NEOs. The Compensation Committee chose to approve fiscal 2012 grants at above market levels partly because of the Company's excellent performance in fiscal 2011 relative to the Compensation Peer Group and partly for retention purposes due to the highly competitive market for talent as the economy improved.

### **Policies Regarding Granting of Equity Awards**

The Compensation Committee has established an equity subcommittee to award equity to employees who are Vice President level or below or other service providers, which is currently comprised of our CEO and the Executive Vice President of Human Resources. The exception to this delegation is that the Compensation Committee has retained the authority to grant or amend equity awards to Vice Presidents who report directly to

our 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 informed on a regular basis of all grants made by the equity subcommittee that 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. RSUs commence vesting on the date of grant and stock options commence vesting from the first day of the person's employment. Promotion and retention grants generally 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, except that we sometimes grant retention awards to become effective prior to the close of our fiscal year. Vesting for promotion RSUs commences from the date of grant and for stock option grants 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 generally 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 July 15th (or the first business day following July 15th in the event that July 15th falls on a weekend or holiday) for employees who are below the Vice President level. Annual RSU and stock option grants commence vesting from the date of grant.

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.

### **Stock Ownership Guidelines**

The Board believes that stock ownership by the Company's directors and executives helps to align the interest of the Company's directors and executives with the interests of the Company's stockholders. To extend and maintain that ownership perspective over time, in May 2012, the Company adopted the following minimum share ownership guidelines for Company's directors, Chief Executive Officer, and Executive Vice Presidents:

Each director shall hold a number of shares of the Company's common stock equal in value to at least three times the amount of such director's annual cash retainer amount;

The Chief Executive Officer shall hold a number of shares of the Company's common stock equal in value to at least five times the amount of the Chief Executive Officer's base salary; and

Each Executive Vice President shall hold a number of shares of the Company's common stock equal in value to at least two times the amount of such Executive Vice President's base salary.

The Company's directors and executives have five years from the adoption date of these stock ownership guidelines to meet these guidelines. Newly appointed directors and executives have five years from the time they are elected, appointed, hired, or promoted, as the case may be, to meet these guidelines. Once achieved, ownership of the guideline amount must be maintained for as long as the individual is subject to these guidelines.

### **Recovery of Incentive-Based Compensation**

The Company and the Compensation Committee each recognize that the compensation program will be subject to the forthcoming rules and regulations to be promulgated by the Securities and Exchange Commission (SEC) as a result of Section 954 of the Dodd-Frank Act, which directs the SEC to issue rules prohibiting the listing on any national securities exchange of companies that do not adopt a policy providing for the recovery from any current or former executive officer of any incentive-based compensation (including stock options) awarded during the three-year period prior to an accounting restatement resulting from material noncompliance of the issuer with financial reporting requirements. We intend to adopt such a "clawback" policy which complies with all applicable standards when such rules become available.

## **Other Compensation for NEOs**

### ***Severance and Change of Control Arrangements***

The Compensation Committee has developed change of control severance agreements which we have entered into with our key senior executives so that we 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 its advisor, who provided various suggestions regarding the potential terms of a change of control severance agreement based on competitive market data from our peer group in effect at the time. 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 was competitive with our 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.

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 that 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.

### **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). In addition,

our Executive Compensation Plan allows us to structure our cash incentives that are paid thereunder to qualify 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 Compensation Committee Report 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.*

#### **COMPENSATION COMMITTEE REPORT**

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

## EXECUTIVE COMPENSATION AND RELATED INFORMATION

## Summary Compensation Table

The table below summarizes the compensation information for the NEOs for the fiscal years ended April 27, 2012, April 29, 2011 and April 30, 2010.

Name and Principal Position	Year	Salary (\$)(1)	Bonus (\$)	RSUs (\$)(2)	Option Awards (\$)(2)	Non-Equity Incentive Plan Compensation (\$)(1)(3)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	Other Comp (\$)(4)	Total (\$)(1)
Thomas Georgens President and Chief Executive Officer	2012	\$ 893,750		\$ 1,330,500	\$ 4,762,863	\$ 610,521(5)		\$ 750	\$ 7,598,384
	2011	\$ 862,500		\$ 1,253,987	\$ 4,008,660	\$ 2,219,740(5)		\$ 672	\$ 8,345,559
	2010	\$ 769,904		\$ 1,724,160	\$ 8,012,370	\$ 2,001,750(5)		\$ 1,932	\$ 12,494,250
Nicholas Noviello(6) Executive Vice President and Chief Financial Officer	2012	\$ 387,144		\$ 833,786	\$ 819,558	\$ 215,484(7)		\$ 601	\$ 2,256,573
Steven J. Gomo(8) Former Executive Vice President and Chief Financial Officer	2012	\$ 363,077		\$ 1,069,722	\$ 1,108,448				\$ 2,541,247
	2011	\$ 522,500		\$ 940,500	\$ 1,002,165	\$ 1,136,832(9)			\$ 3,601,997
	2010	\$ 509,615		\$ 689,660	\$ 762,690	\$ 1,121,153(9)			\$ 3,073,503
Robert E. Salmon Executive Vice President, Field Operations	2012	\$ 575,000		\$ 1,069,722	\$ 1,108,448	\$ 320,045(10)		\$ 679	\$ 3,073,894
	2011	\$ 552,500		\$ 940,500	\$ 1,002,165	\$ 1,203,162(10)		\$ 672	\$ 3,698,999
	2010	\$ 540,192		\$ 862,090	\$ 953,363	\$ 1,188,423(10)		\$ 1,492	\$ 3,535,367
Manish Goel Executive Vice President, Product Operations	2012	\$ 512,500		\$ 1,165,518	\$ 1,212,365	\$ 285,258(11)		\$ 656	\$ 3,176,297
	2011	\$ 462,500		\$ 940,500	\$ 1,002,165	\$ 1,007,172(11)		\$ 672	\$ 3,413,009
	2010	\$ 433,173		\$ 1,379,340	\$ 381,345	\$ 952,981(11)		\$ 1,259	\$ 3,148,098
Matthew K. Fawcett(12) Senior Vice President and General Counsel	2012	\$ 391,250		\$ 361,896	\$ 372,369	\$ 158,378(13)		\$ 602	\$ 1,284,495
	2011	\$ 254,308	\$ 90,000(14)	\$ 1,232,500	\$ 1,200,833	\$ 402,762(13)		\$ 672	\$ 3,181,075

- (1) Certain amounts shown for prior years have been updated to correct administrative errors which are immaterial both individually and in the aggregate.
- (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 RSUs or for stock option awards, as applicable, granted in fiscal years ended April 27, 2012, April 29, 2011, and April 30, 2010, respectively. 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 19, 2012.
- (3) Amounts shown consist of payouts under the Company's Executive Compensation Plan paid based upon the Company achieving 92.1% of its targeted revenue and 86.4% of its targeted operating profit under its fiscal 2012 plan, 124% of its targeted revenue and 109% of its targeted operating profit under its fiscal 2011 plan, and 133% of its fiscal 2010 plan. This resulted in each NEO receiving 50.6%, 198%, and 200% of his nonequity compensation target for fiscal years 2012, 2011, and 2010 respectively.
- (4) The amounts shown represent the imputed income of term life insurance in excess of \$50,000.



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- (5) Mr. Georgens received 68.3% of his base compensation earnings for fiscal 2012, 257% of his base compensation earnings for fiscal 2011, and 260% of his base compensation earnings for fiscal 2010.
- (6) Mr. Noviello became an NEO effective January 1, 2012. As a result, information for fiscal 2011 and fiscal 2010 has been omitted.
- (7) Mr. Noviello received 55.7% of his base compensation earnings for fiscal 2012.
- (8) Mr. Gomo retired effective December 31, 2011.
- (9) Mr. Gomo received 218% of his base compensation earnings for fiscal 2011, and 220% of his base compensation earnings for fiscal 2010.
- (10) Mr. Salmon received 55.7% of his base compensation earnings for fiscal 2012, 218% of his base compensation earnings for fiscal 2011, and 220% of his base compensation earnings for fiscal 2010.
- (11) Mr. Goel received 55.7% of his base compensation earnings for fiscal 2012, 218% of his base compensation earnings for fiscal 2011, and 220% of his base compensation earnings for fiscal 2010.
- (12) Mr. Fawcett became an NEO during fiscal 2011. As a result, information for fiscal 2010 has been omitted.
- (13) Mr. Fawcett received 40.5% of his base compensation earnings for fiscal 2012, and 158% of his base compensation earnings for fiscal 2011.
- (14) Mr. Fawcett received a sign-on bonus when he joined the Company in 2010.

**Grants of Plan-Based Awards**

The table below summarizes information concerning all plan-based awards granted to the NEOs during fiscal 2012, which ended on April 27, 2012.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)		Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Awards: Number of Shares of Stock or Units (#)(4)	All Other Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/Sh)(6)	Grant Date Fair Value of Stock and Option Awards (\$)(7)
		Threshold (\$)	Target (\$)(2)	Maximum (\$)(3)	Threshold (#)	Target (#)				
Thomas Georgens	6/1/2011							275,000(5)	\$ 53.22	\$ 4,762,863
	6/1/2011		\$ 1,000,875	\$ 2,001,750			25,000			\$ 1,330,500
Nicholas R. Noviello	6/1/2011							20,000(5)	\$ 53.22	\$ 346,390
	6/1/2011						6,300			\$ 335,286
	2/15/2012							37,500(8)	\$ 39.88	\$ 473,168
	2/15/2012						12,500			\$ 498,500
Steven J. Gomo	6/1/2011						20,100	64,000(5)	\$ 53.22	\$ 1,108,448 \$ 1,069,722
Robert E. Salmon	6/1/2011							64,000(5)	\$ 53.22	\$ 1,108,448
	6/1/2011		\$ 560,577	\$ 1,121,154			20,100			\$ 1,069,722
Manish Goel	6/1/2011							70,000(5)	\$ 53.22	\$ 1,212,365
	6/1/2011		\$ 594,212	\$ 1,188,423			21,900			\$ 1,165,518
Matthew K. Fawcett	6/1/2011							21,500(5)	\$ 53.22	\$ 372,369
	6/1/2011		\$ 477,125	\$ 954,250			6,800			\$ 361,896

- (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 in May 2011.
- (2) The estimated payouts are based upon the Company achieving 100% of its targeted operating profit and 100% of its targeted revenue for fiscal 2012.
- (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 three anniversaries of the grant date. The award is subject to earlier termination upon the individual's cessation of service with the Company.
- (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 27, 2012, as filed with the SEC on June 19, 2012.
- (8) 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 as to 25% of the shares on anniversary of the NEO's promotion date and then in a series of equal monthly installments over the next 36 months of service.

### 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 27, 2012.

	Option Awards			Stock Awards		Equity Incentive Plan Awards: Number of Unearned Shares, Units or Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Rights That Have Not Vested (\$)
	Number of Securities Underlying Unexercised Options (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)		
	Exercisable	Unexercisable					
Thomas Georgens	125,666	8,334(1)	\$ 23.79	6/1/2015		41,666(9)	\$ 1,626,224
	127,083	72,917(2)	\$ 20.69	5/31/2016		24,999(10)	\$ 975,711
	433,333	216,667(3)	\$ 24.72	9/14/2016		25,000(15)	\$ 975,750
	137,500	162,500(4)	\$ 37.62	5/31/2017			
	57,291	217,709(7)	\$ 53.22	5/31/2018			
Nicholas R. Noviello	45,000		\$ 21.40	2/14/2015		916(11)	\$ 35,751
	10,541	459(1)	\$ 23.79	6/1/2015		7,500(9)	\$ 292,725
	31,875	13,175(2)	\$ 20.69	5/31/2016		5,625(10)	\$ 219,544
	10,312	12,188(4)	\$ 37.62	5/31/2017		6,300(15)	\$ 245,889
	4,166	15,834(7)	\$ 53.22	5/31/2018		12,500(16)	\$ 487,875
		37,500(8)	\$ 39.88	2/14/2019			
Steven J. Gomo(17)							
Robert E. Salmon	70,517		\$ 34.24	3/14/2016		20,833(9)	\$ 813,112
	67,427		\$ 32.50	5/31/2013		18,750(10)	\$ 731,813
	125,000		\$ 39.83	1/15/2014		20,100(15)	\$ 784,503
	2,084		\$ 30.74	5/31/2014			
	4,167	4,167(1)	\$ 23.79	6/1/2015			
	5,208	36,459(2)	\$ 20.69	5/31/2016			
	34,375	40,625(4)	\$ 37.62	5/31/2017			
	13,333	50,667(7)	\$ 53.22	5/31/2018			
Manish Goel	1,250	5,625(5)	\$ 15.59	2/16/2016		1,666(11)	\$ 65,024
	2,083	14,584(2)	\$ 20.69	5/31/2016		2,500(12)	\$ 97,575
	15,625	40,625(4)	\$ 37.62	5/31/2017		33,333(9)	\$ 1,300,987
	14,583	55,417(7)	\$ 53.22	5/31/2018		1,428(13)	\$ 55,735
						2,000(13)	\$ 78,060
						1,285(13)	\$ 50,154
						3,332(13)	\$ 130,048
						18,750(10)	\$ 731,813
						21,900(15)	\$ 854,757
Matthew K. Fawcett	29,687	45,313(6)	\$ 49.30	9/14/2017		18,750(14)	\$ 731,813
	4,479	17,021(7)	\$ 53.22	5/31/2018		6,800(15)	\$ 265,404

(1) 1/48<sup>th</sup> of the option shares vest monthly in equal installments over four years measured from the grant date. The option became fully vested on June 2, 2012.

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- (2) 1/48<sup>th</sup> 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.
- (3) 25% of the option shares vested on August 19, 2010, thereafter 1/48<sup>th</sup> 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.
- (4) 1/48<sup>th</sup> 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, 2014, subject to continued service through each applicable vesting date.
- (5) 25% of the option shares vested on January 5, 2010, thereafter 1/48<sup>th</sup> 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.

- (6) 25% of the option shares vested on August 31, 2011, thereafter 1/48<sup>th</sup> of the option shares vest monthly in equal installments over 36 months. The option will be fully vested on August 31, 2014, subject to continued service through each applicable vesting date.
- (7) 1/48<sup>th</sup> 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, 2015, subject to continued service through each applicable vesting date.
- (8) 25% of the option shares vest on January 1, 2013, thereafter 1/48<sup>th</sup> of the option shares vest monthly in equal installments over 36 months. The option will be fully vested on January 1, 2016, 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 June 1, 2014, 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 became fully vested on June 2, 2012.
- (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) 25% of the RSU shares vest over four years on each annual anniversary of the grant date. The award will be fully vested on September 15, 2014, subject to continued service through each applicable vesting date.
- (15) 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, 2015.
- (16) 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 15, 2016.
- (17) Mr. Gomo retired on December 31, 2011. On the date of Mr. Gomo's retirement, 55,516 RSU shares were outstanding and unvested and were immediately cancelled; 361,997 option shares were outstanding and 149,750 of those option shares were unvested and cancelled. Of the 212,247 option shares that were vested and exercisable, Mr. Gomo exercised 204,247 prior to their cancellation on March 31, 2012. As of the end of fiscal 2012, Mr. Gomo did not hold any outstanding RSUs or option shares.

**Option Exercises and Stock Vested for Fiscal 2012**

The following table provides information regarding options and stock awards exercised and vested, respectively, and the value realized for each of the NEOs during the fiscal year ended April 27, 2012.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)(1)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)(2)
Thomas Georgens	300,000	\$ 6,972,185	29,167(3)	\$ 1,552,268
Nicholas R. Noviello	25,000	\$ 821,372	9,542(4)	\$ 467,888
Steven J. Gomo	426,250	\$ 9,103,655	14,583(5)	\$ 776,107
Robert E. Salmon	192,188	\$ 4,122,579	16,667(6)	\$ 887,018
Manish Goel	27,708	\$ 654,168	42,774(7)	\$ 2,081,612