

NETWORK APPLIANCE INC
Form 8-K
December 05, 2007

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported):

November 29, 2007

Network Appliance Inc.

(Exact name of registrant as specified in its charter)

Delaware

0-27130

77-0307520

(State or other jurisdiction
of incorporation)

(Commission
File Number)

(I.R.S. Employer
Identification No.)

495 East Java Drive, Sunnyvale, California

94089

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code:

(408) 822-6000

Not Applicable

Former name or former address, if changed since last report

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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Item 1.01 Entry into a Material Definitive Agreement.

On November 29, 2007, Network Appliance Inc. ("the Company") entered into a \$90.4 million financing and operating leasing arrangement with BNP Paribas LLC ("BNP") for approximately 331,650 square feet of buildings located in Sunnyvale, California.

Under the terms of the transaction documents, the Company has agreed to lease the buildings from BNP for a term expiring in December 2012. The lease can be renewed for up to two consecutive periods of 5 years each upon approval by BNP and satisfaction of the other conditions to extension set forth in the transaction documents. This lease arrangement requires the Company ("the Lessee") to pay minimum lease payments ("base rent") beginning on January 2, 2008, which may vary based on a floating effective rate. The base rent may be, at the Company's option, based on London Interbank Offered Rate ("LIBOR") plus a spread or Alternative Base Rate ("ABR"). For rent period subject to a LIBOR election, the base rent will be based on the LIBOR rate for the interest period specified by the Company plus a spread based on the Company's leverage ratio. For base rent period that is subject to an ABR election, the effective rate will be based on the Prime Rate for such period. In addition, the Company must pay certain fees (including, arrangement, upfront fees and an annual administrative agency fees.)

Upon the expiration of the term (or upon any earlier termination) of the lease term, the Company must elect one of the following options: (i) the Company may purchase the buildings for \$90.4 million, generally, the Break-Even Price, (ii) if certain conditions are met, the Company may arrange for the sale of the buildings to a third party provided that the Company pays any deficiency between the sales proceeds and the Break Even Amount, up to a maximum \$76.9 million, or (iii) the Company makes a supplemental payment to BNP equal to \$76.9 million, in which event, the Company will have the opportunity to recoup some or all of such payment by arranging for the sale of the buildings during the ensuing 2 year period.

In connection with the transaction, the Company has agreed to maintain specified financial covenants which include a maximum leverage ratio and a Minimum Liquidity.

The foregoing description of the agreements does not purport to be complete and is qualified in its entirety by the terms and conditions of the Lease Agreements, which will be filed as an exhibit to the Registrant's Quarterly Report on Form 10-Q for period ending January 25, 2008.

Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

The disclosure provided in Item 1.01 "Entry into a Material Definitive Agreement" is incorporated by reference into this Item 2.03 as if fully set forth herein.

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SIGNATURES

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

Network Appliance Inc.

December 4, 2007

By: */s/ Steven J. Gomo*

*Name: Steven J. Gomo
Title: Executive Vice President of Finance, and Chief
Financial Officer (Principal Financial Officer and Principal
Accounting Officer)*