

LAU JAMES K
Form 4
October 23, 2006

FORM 4

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

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
LAU JAMES K

2. Issuer Name and Ticker or Trading Symbol
NETWORK APPLIANCE INC
[NTAP]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)
495 EAST JAVA DRIVE
(Street)

3. Date of Earliest Transaction (Month/Day/Year)
10/20/2006

____ Director _____ 10% Owner
 Officer (give title below) _____ Other (specify below)
Executive Vice President,

SUNNYVALE, CA 94089

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
 Form filed by More than One Reporting Person

(City) (State) (Zip)

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V Amount (A) or (D) Price			
Common Stock	10/20/2006		M ⁽¹⁾	25,000 A \$ 11.25	3,913,933	I	by Trust ³ (2)
Common Stock	10/20/2006		S ⁽¹⁾	25,000 D \$ 37.5347 (3)	3,888,933	I	by Trust ³ (2)
Common Stock					4,578	D	
Common Stock					68,600	I	by Trust ¹ (4)
Common Stock					68,600	I	by Trust ² (5)

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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(9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Security (Instr. 3 and 4)	8. Title or Number of Shares
Non-Qualified Stock Option (right to buy)	\$ 11.25	10/20/2006		M ⁽¹⁾	25,000	⁽⁶⁾ 05/24/2009	Common Stock	25,000

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
LAU JAMES K 495 EAST JAVA DRIVE SUNNYVALE, CA 94089			Executive Vice President,	

Signatures

By: Janice Mahoney by Power of Attorney For: James K. Lau 10/23/2006

**Signature of Reporting Person

Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, see Instruction 4(b)(v).
- ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) The option exercise and sale reported in this Form 4 were effected pursuant to a Rule 10b5-1 trading plan adopted by the reporting person on June 28, 2006.
- (2) Shares held in trust by James K. Lau and Katherine S. Lau, trustees to the KNSK Trust UDT 9/18/00
- (3) The sale prices for the reported transaction were in a range of \$37.43 to 37.74 per share.
- (4) Shares held in trust by Koon H. Lau, trustee to The Jason A. Lau 1998 Trust. Reporting person disclaims beneficial ownership of such shares.
- (5)

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Shares held in trust by Koon H. Lau, trustee to The Jonathan A. Lau 1998 Trust. Reporting person disclaims beneficial ownership of such shares.

- (6) Option vests with respect to 25% of the option shares on the first anniversary of the grant date and the balance in a series of equal monthly installments over the next 36 months of service thereafter.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

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