

NETSCOUT SYSTEMS INC  
Form DEF 14A  
July 24, 2014

## SCHEDULE 14A INFORMATION

### Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

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 Under Rule 14a-12

**NETSCOUT SYSTEMS, 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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Not Applicable

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Not Applicable

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Not Applicable

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July 24, 2014

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of NetScout Systems, Inc. on Tuesday, September 9, 2014 at NetScout Systems, Inc., 310 Littleton Road, Westford, Massachusetts.

At the Annual Meeting, you will be asked to:

1. elect one director nominated by our Board,
2. ratify the selection of PricewaterhouseCoopers LLP as auditors for the fiscal year ending March 31, 2015, and
3. approve, on an advisory basis, the compensation of our named executive officers.

The accompanying proxy statement describes these matters in more detail.

It is important that your shares be voted whether or not you attend the meeting. If you received a proxy card or voting instruction form, please complete the proxy card or voting instruction form promptly. If your shares are held in a bank or brokerage account, you may be eligible to vote electronically or by telephone please refer to your vote instruction form for instructions. If you attend the meeting, you may vote in person even if you have previously returned your vote in accordance with the foregoing. Your prompt cooperation will be appreciated.

Very truly yours,

Anil K. Singhal

*Chairman, President, and Chief Executive Officer*

**NETSCOUT SYSTEMS, INC.**

**310 Littleton Road**

**Westford, MA 01886**

**NOTICE OF THE 2014 ANNUAL MEETING OF STOCKHOLDERS**

**To Be Held September 9, 2014**

To the Stockholders of NetScout Systems, Inc.:

The Annual Meeting of Stockholders of NetScout Systems, Inc. will be held on Tuesday, September 9, 2014, at 10:00 a.m. at NetScout Systems, Inc., 310 Littleton Road, Westford, Massachusetts 01886, for the following purposes:

1. To elect one Class III director nominated by our Board to serve for a three year term or until his successor is elected and qualified.
2. To ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending March 31, 2015.
3. To approve, on an advisory basis, the compensation of our named executive officers, as disclosed in this proxy statement, in accordance with Securities and Exchange Commission rules.
4. To consider other business properly brought before the meeting or any adjournment.

Stockholders of record at the close of business on July 11, 2014, the Record Date for determining stockholders entitled to vote at the annual meeting, will be entitled to vote at the meeting and any adjournments.

To provide faster access, minimize cost, and reduce waste, we are mailing to most of our stockholders a Notice of Internet Availability of Proxy Materials, or Notice, instead of a paper copy of this proxy statement and our Annual Report to Stockholders for the fiscal year ended March 31, 2014, or the 2014 Annual Report. Stockholders who have requested a paper copy of our proxy materials will continue to receive them by mail. The Notice contains instructions on how to access those documents over the internet and how to request a paper copy of this proxy statement, our 2014 Annual Report, and a form of proxy card or voting instruction card.

All stockholders are cordially invited to attend the meeting in person. However, to assure your representation at the meeting you are urged to complete, sign, date, and return the proxy card mailed or made available to you so that your shares can be voted at the Annual Meeting in accordance with your instructions. If your shares are held in a bank or brokerage account, you may be eligible to vote electronically or by phone please refer to your enclosed vote instruction form. If you attend the meeting, you may vote in person even if you have previously returned your vote in accordance with the foregoing.

**Notice regarding the availability of proxy materials for the Annual Meeting to be held on September 9, 2014. This proxy statement, the proxy card, and NetScout's Annual Report to Stockholders for the fiscal year ended March 31, 2014 are all available free of charge as described in the attached materials.**

By Order of the Board of Directors,

Anil K. Singhal

*Chairman, President, and Chief Executive Officer*

Westford, Massachusetts

July 24, 2014

**NETSCOUT SYSTEMS, INC.**

**310 Littleton Road**

**Westford, MA 01886**

**PROXY STATEMENT**

**July 24, 2014**

**Questions and Answers about the Annual Meeting and Voting**

***Why did I receive these proxy materials?***

We intend to mail the Notice of Internet Availability of Proxy Materials, or the Notice, on or about July 24, 2014 to all stockholders of record entitled to vote at the 2014 Annual Meeting of Stockholders of NetScout Systems, Inc., or the Annual Meeting, and will make available the proxy statement and form of proxy to stockholders on such date. The matters to be voted on at the Annual Meeting are set forth in the Notice of the Annual Meeting of Stockholders.

We are providing access to our proxy materials over the internet. Accordingly, we have sent you the Notice because the Board of Directors, or the Board, of NetScout Systems, Inc., a Delaware corporation, or NetScout, is soliciting your proxy to vote at the Annual Meeting, including at any adjournments or postponements of the meeting. All stockholders will have the ability to access the proxy materials on the website referred to in the Notice or request to receive a printed set of the proxy materials. The proxy materials include the proxy statement, form of proxy, and 2014 Annual Report, which contains financial statements for the fiscal year ended March 31, 2014.

You are invited to attend the Annual Meeting on Tuesday, September 9, 2014 at 10:00 a.m. local time at NetScout Systems, Inc., 310 Littleton Road, Westford, Massachusetts 01886.

***Will I receive any other proxy materials by mail?***

We may send you a proxy card, along with a second Notice, on or after August 3, 2014.

***What is the purpose of the Annual Meeting?***

The purpose of the Annual Meeting is to:

elect one Class III director nominated by our Board to serve for a three year term or until his successor is elected and qualified;

ratify the selection of PricewaterhouseCoopers LLP as our an independent registered public accounting firm for the fiscal year ending March 31, 2015;

obtain advisory approval of the compensation of our named executive officers, as disclosed in this proxy statement in accordance with SEC rules; and

conduct other business that properly comes before the Annual Meeting or any adjournment.

***How does the Board recommend that I vote?***

The Board recommends that you vote **FOR** the nominee to our Board, **FOR** the ratification of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending March 31, 2015, and **FOR** approval of the compensation of our named executive officers.

***Who can vote?***

Stockholders of record as of July 11, 2014, or the Record Date, may vote. As of July 11, 2014, 41,042,273 shares of our common stock were issued and outstanding. Holders of common stock are entitled to one vote per share on proposals presented at the Annual Meeting.

***What is the difference between holding shares as a stockholder of record and as a beneficial owner?***

If your shares are registered directly in your name with our transfer agent, Computershare Shareowner Services (formerly BNY Mellon Shareowner Services LLC), you are considered a stockholder of record of those shares.

If your shares are held in an account at a bank, broker, or other intermediary, you are not a stockholder of record but instead are a beneficial owner of shares held in street name, in which case the intermediary would be considered the stockholder of record for purposes of voting at the Annual Meeting. As a beneficial owner, you have the right to direct your bank, broker, or other intermediary, which we collectively refer to as your Broker, to vote the shares held in your account.

Non-routine matters are matters that may substantially affect stockholder rights, such as mergers, stockholder proposals, and the election of directors. Under securities rules, your Broker is not permitted to vote for non-routine matters.

At the Annual Meeting, the director proposal and the say on pay proposal are non-routine, and we therefore encourage you to provide specific voting instructions to your Broker. The only routine matter included in this Proxy Statement is the ratification of our appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the year ending March 31, 2015.

***How do I vote my shares?***

***Stockholder of Record: Shares Registered in Your Name***

If you are a stockholder of record, you may vote in person at the Annual Meeting or vote by proxy using a proxy card mailed to you. Whether or not you plan to attend the Annual Meeting, we urge you to vote by proxy to ensure your vote is counted. You may still attend the Annual Meeting and vote in person even if you have already voted by proxy. To vote using the proxy card, simply complete, sign and date the proxy card and return it promptly in the envelope provided. If you return your signed proxy card to us before the Annual Meeting, we will vote your shares as you direct.

***Beneficial Owner: Shares Registered in the Name of Broker or Bank***

If you are a beneficial owner of shares registered in the name of your Broker, you should have received a Notice containing voting instructions from that organization rather than from us. Simply follow the voting instructions in the Notice to ensure that your vote is counted. To vote in person at the Annual Meeting, you must obtain a valid proxy from your Broker.

Our Board named Anil K. Singhal and Michael Szabados as attorneys-in-fact in the proxies. If your proxy has been properly executed and returned in time to be counted at the Annual Meeting, the shares represented by your proxy will be voted in accordance with your voting instructions. If you have returned a signed proxy but have not indicated your vote, your proxy will be voted FOR the nominee to our Board, FOR the ratification of the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending March 31, 2015, and FOR the advisory approval of the compensation of our named executive officers. Our Board knows of no other matters to be presented at the Annual Meeting. For other matters that may properly come before the Annual Meeting, the attorneys-in-fact will use their judgment in voting your shares.

***May I change or revoke my proxy?***

You may revoke your proxy before it is voted at the Annual Meeting. If you are a stockholder of record, you may do so by (1) filing a written notice of revocation (dated after the original proxy) with the Secretary of NetScout before the vote at the Annual Meeting, (2) completing a later dated proxy, including by internet or



phone, and delivering it to the Secretary of NetScout before the vote at the Annual Meeting, or (3) attending the Annual Meeting and voting in person. You should send any written notice of revocation, to be delivered before the Annual Meeting, to NetScout Systems, Inc., 310 Littleton Road, Westford, MA 01886, Attention: Secretary. If you hold shares through a Broker, you must contact that Broker directly to revoke any prior voting instructions.

***How is a quorum determined?***

A quorum of stockholders is necessary to conduct any business at the Annual Meeting. A quorum will be present if a majority of the outstanding shares of our common stock entitled to vote at the Annual Meeting are present at the meeting in person or represented by proxy. On the Record Date, there were 41,042,273 shares outstanding and entitled to vote.

To determine a quorum, we include votes withheld from any nominee, abstentions, and broker non-votes. Broker non-votes occur when a beneficial owner does not give instructions to the Broker how to vote on matters deemed non-routine. As discussed above, if the beneficial owner does not provide voting instructions, the Broker can still vote the shares with respect to matters that are considered to be routine but not with respect to non-routine matters. Your shares will be counted towards the quorum only if you submit a valid proxy or one is submitted on your behalf by your Broker or if you vote in person at the meeting. If there is no quorum, the meeting may adjourn to another date.

***What vote is required to approve each proposal and how are votes counted?***

**Proposal 1: Election of Director:** At this Annual Meeting there is only one director nominee. The nominee to serve as Class III director who receives the most votes (also known as a plurality of the votes cast) will be elected. You may vote either FOR the nominee or WITHHOLD your vote from the nominee. Votes that are withheld will not be included in the vote tally for the election of the director. Brokers do not have authority to vote beneficial owners' unvoted shares for the election of the director. As a result, any shares not voted by a beneficial owner will be treated as a broker non-vote. Such broker non-votes will have no effect on the results of this vote. If the nominee receives a greater number of votes withheld from his or her election than votes for such election, such nominee will submit his or her offer of resignation for consideration by our Nominating and Corporate Governance Committee in accordance with our majority vote policy as discussed in more detail in the Majority Vote Policy section of this proxy statement.

**Proposal 2: Ratification of Appointment of Independent Registered Public Accounting Firm:** The affirmative vote of a majority of the shares present or represented and voting on this proposal is required to ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending March 31, 2015. Abstentions will be counted towards the vote total and will have the same effect as Against votes. Brokers have authority to vote beneficial owners' unvoted shares on this proposal. If a Broker does not exercise this authority, such Broker non-votes will have no effect on the results of this vote. We are not required to obtain the approval of our stockholders to appoint PricewaterhouseCoopers LLP as our independent registered public accounting firm. However, if our stockholders do not ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for our fiscal year ending March 31, 2015, the Audit Committee of our Board will consider the results of this vote when selecting auditors in the future.

**Proposal 3: Advisory Vote on Executive Compensation:** The affirmative vote of a majority of the shares present or represented and voting on this proposal is required to approve the advisory vote on the compensation of our named executive officers. Abstentions will be counted towards the vote total and will have the same effect as Against votes. Brokers do not have authority to vote beneficial owners' unvoted shares on this proposal. As a result, any shares not voted by a beneficial owner will be treated as a broker non-vote. Such broker non-votes will have no effect on the results of this vote.

***When Are Stockholder Proposals And Director Nominations Due For Next Year's Annual Meeting?***

To be considered for inclusion in next year's proxy materials, your proposal must be submitted in writing to our principal executive offices at 310 Littleton Road, Westford, Massachusetts 01886, attention: Secretary and must be received by us no later than March 26, 2015. We suggest that you submit your proposals by registered mail, return receipt requested. Proposals must satisfy the procedures set forth in Rule 14a-8 under the Securities Exchange Act of 1934, as amended, or the Exchange Act.

If you wish to submit a proposal for next year's annual meeting that is not to be included in next year's proxy materials or wish to nominate a director, you must submit such proposal or nomination in writing to our executive offices at 310 Littleton Road, Westford, Massachusetts 01886, attention: Secretary, and such proposal or nomination must be received by us no earlier than the close of business of May 12, 2015 and no later than the close of business of June 11, 2015 and must satisfy the requirements described below under "Stockholder Recommendations for Nominees as Directors and the Proposal of Other Business." If the date of next year's Annual Meeting is advanced by more than 30 days or delayed by more than 60 days after the anniversary of our annual meeting with respect to the year ended March 31, 2015, any stockholder recommendation or proposal must be received by us no earlier than the close of business on the 90th day prior to such advanced or delayed annual meeting date and no later than the close of business on the later of (i) the 60th day prior to such advanced or delayed annual meeting date or (ii) the 10th day following the day on which the first public announcement of the meeting date is first made by us.

You are also advised to review our by-laws, which contain additional requirements about advance notice of stockholder proposals and director nominations.

***Householding of Annual Meeting Materials***

Some Brokers may be "householding" our proxy materials. This means that only one copy of our Notice may have been sent to multiple stockholders in your household. We will deliver a separate copy of those documents to you if you call or write us at our principal executive offices, 310 Littleton Road, Westford Massachusetts 01886, Attn: Investor Relations, telephone: (978) 614-4000. If you want to receive separate copies of the Notice in the future or if you are receiving multiple copies and would like to receive only one copy per household, you should contact your Broker, or you may contact us.

***Notice Regarding the Availability of Proxy Materials***

Our stockholders will receive the Notice, which will be mailed on or about July 24, 2014. On the date of mailing of the Notice, stockholders will be able to access all of the proxy materials on the internet, free of charge, at [www.netscout.com/investors](http://www.netscout.com/investors). The Notice will instruct you how to access the proxy materials (including our annual report to stockholders), how to vote by internet or telephone, and how to request a paper copy of the proxy card. If you received a Notice and would like to receive printed copies of the proxy materials, you should follow the instructions for requesting such materials set out in the Notice.

**PROPOSAL 1****ELECTION OF DIRECTOR**

The following table sets forth the current directors and the nominee to be elected at the Annual Meeting:

**Nominee or Director's Name and**

<b>Year First Became Director</b>	<b>Positions with NetScout</b>	<b>Year Term Will Expire</b>	<b>Class</b>
<b>Nominees:</b>			
Joseph G. Hadzima, Jr. (1998)	Director	2014	III
<b>Continuing Directors:</b>			
Victor A. DeMarines (2004)	Director	2015	I
Vincent J. Mullarkey (2000)	Director	2015	I
Anil K. Singhal (1984)	Chairman, President, and Chief Executive Officer	2016	II
John R. Egan (2000)	Director	2016	II
Robert E. Donahue (2013)	Director	2016	II

**The Nominee for Class III Director is Mr. Hadzima**

Mr. Hadzima is a Class III director whose term expires at this Annual Meeting and who is a nominee for re-election for a term that would expire upon the election and qualification of directors at the Annual Meeting to be held in 2017. Stephen G. Pearse is a Class III director whose term expires at this Annual Meeting, and he will not be standing for re-election.

**Continuing Directors**

The Board is also composed of two Class I directors, Messrs. DeMarines and Mullarkey, whose terms expire in 2015, and three Class II directors, Messrs. Singhal, Egan, and Donahue, whose terms expire in 2016.

As of the Record Date, the size of the Board is fixed at seven members. NetScout's by-laws and certificate of incorporation divide the Board into three classes. The members of each class of directors serve for staggered three year terms.

**Proposal and Recommendation**

Our Board has nominated and recommended that Mr. Hadzima be re-elected as a Class III director, to hold office until the Annual Meeting to be held in the year 2017 or until his successor has been duly elected and qualified or until his earlier resignation or removal.

The Board knows of no reason why the nominee would be unable or unwilling to serve, but if the nominee should be unable or unwilling to serve, the proxies will be voted for the election of such other person for the office of director as the Board may recommend in the place of such nominee. Unless otherwise instructed, the proxy holders will vote the proxies received by them for the nominee named above.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE  
NOMINEE FOR DIRECTOR.**

**PROPOSAL 2**

**RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee of the Board has selected PricewaterhouseCoopers LLP to serve as our independent registered public accounting firm for the fiscal year ending March 31, 2015. PricewaterhouseCoopers LLP has served as our auditors since 1993. We expect that a member of PricewaterhouseCoopers LLP will attend the Annual Meeting, will have an opportunity to make a statement if so desired, and will be available to respond to appropriate questions from our stockholders. We are incorporated in Delaware, and Delaware law does not require the ratification of the Audit Committee's selection, but the Audit Committee will consider the results of this vote when selecting auditors in the future.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE RATIFICATION OF PRICEWATERHOUSECOOPERS LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.**

**PROPOSAL 3**

**ADVISORY VOTE ON EXECUTIVE COMPENSATION**

At the 2011 Annual Meeting, our stockholders indicated their preference that the Company solicit a non-binding advisory vote on the compensation of the Company's named executive officers, commonly referred to as a say-on-pay vote, every year. The Board has adopted a policy that is consistent with that preference. Therefore the Company is asking stockholders to approve, on an advisory basis, the compensation of the Company's named executive officers as disclosed in this proxy statement in accordance with SEC rules. This vote is not intended to address any specific item of compensation but rather the overall compensation of the Company's named executive officers and the philosophy, policies, and practices described in this proxy statement. At the 2013 Annual Meeting, stockholders approved the Company's say on pay proposal with 96% of the total votes cast voting in favor.

The goal of the Company's executive officer compensation program is to retain and reward highly qualified, talented leaders who create long term stockholder value. The program is designed to align management's interest with that of stockholders and motivate senior executives to increase our long-term growth and profitability while reducing risks that could result from compensation decisions.

Over the past fiscal year, NetScout met or exceeded its goals as demonstrated by its strong financial performance and ongoing technology leadership. For fiscal year 2014:

product revenue increased 18% year over year (GAAP and non-GAAP);

revenue increased 13% year over year (GAAP and non-GAAP);

net income increased year over year 21% GAAP and 15% non-GAAP; and

operating margin for the year was 20% (GAAP), up from 19% the prior fiscal year, with non-GAAP operating margin at 25.4%. The year also saw the successful launch of the flagship nGeniusOne product, continued market share gains in the service provider market, increasing traction in complementary packet flow switches, and ongoing innovation with the newly-patented Adaptive Session Intelligence technology.

As described in this proxy statement, the Compensation Committee weighs the appropriate mix of compensation elements, including the allocation between cash and equity, for each executive officer to help achieve those objectives. The Company's Compensation Discussion and Analysis, or CD&A, contained in this proxy statement describes the Company's executive compensation program and the decisions made by the Compensation Committee in detail.

Accordingly, the Board is asking our stockholders to indicate their support for the compensation of the Company's named executive officers as described in this proxy statement by casting a non-binding advisory vote FOR the following resolution:

RESOLVED, that the compensation paid to the Company's named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables, and narrative discussion is hereby APPROVED.

As an advisory vote, this proposal is not binding on the Board. Nevertheless, the views expressed by the stockholders, whether through this vote or otherwise, are important to management and the Board, and, accordingly, the Board and the Compensation Committee intend to consider the results of this vote in making determinations in the future regarding executive compensation arrangements.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE  
ADVISORY APPROVAL OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS.**



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**DIRECTORS AND EXECUTIVE OFFICERS**

<b>Name</b>	<b>Age</b>	<b>Positions</b>
Anil K. Singhal	60	Chairman, President, Chief Executive Officer, and Director
Michael Szabados	62	Chief Operating Officer
John W. Downing	56	Senior Vice President, Worldwide Sales Operations
Jean Bua	56	Senior Vice President, Chief Financial Officer, and Treasurer
Victor A. DeMarines	77	Director
Robert E. Donahue	66	Director
John R. Egan	56	Director
Joseph G. Hadzima, Jr.	62	Director
Vincent J. Mullarkey	66	Director

**Executive Officers**

*Anil Singhal* co-founded the Company in June 1984 and has served as our Chairman, President, and Chief Executive Officer for more than five years. Mr. Singhal has served as a director since our inception. The Company's Nominating and Corporate Governance Committee, or Nominating Committee, believes that as both co-founder and Chief Executive Officer, Mr. Singhal provides extensive technology vision and leadership; historical knowledge of the Company, its customers, and solutions; and a deep understanding of the opportunities and challenges facing the Company today. The Committee further believes that Mr. Singhal's business expertise and dedication to the Company's future success add value to the Company and uniquely qualify him to serve as the Company's Chairman and Chief Executive Officer.

*Michael Szabados* has served as our Chief Operating Officer for more than five years. During the preceding 11 years he served as Senior Vice President, Product Operations and before that as Vice President, Marketing at NetScout. Prior to NetScout, Mr. Szabados held product management and marketing management positions at UB Networks, SynOptics, Apple Computer, and Intel Corporation.

*Jean Bua* has served as our Senior Vice President, Chief Financial Officer, and Treasurer since May 2013 and served as our Vice President, Chief Financial Officer, and Treasurer from December 2011 until May 2013. She joined NetScout as Chief Accounting Officer and Vice President of Finance on September 15, 2010. Before that, Ms. Bua served as Executive Vice President, Finance & Treasurer of American Tower Corporation from April 2009 until September 2010.

*John W. Downing* has served as our Senior Vice President, Worldwide Sales Operations for more than five years. Before that, he served as our Vice President, Worldwide Sales Operations for over five years.

**Directors**

*Victor A. DeMarines* has been a NetScout director since June 2004. Mr. DeMarines was the President and Chief Executive Officer of MITRE from 1994 until his retirement in 2000. He continued to serve as a member of the Board of Trustees and as Chairman of the Technology Committee of MITRE until his retirement from the Board in 2010. He continues his relationship as a consultant to MITRE Corporation on its Department of Defense, Homeland Security, and cyber activity initiatives. Since February 2013, he has served as the Chairman of the Board of Directors of Verint Systems Inc., a publicly-held provider of systems to the internet security marketplace. He has been a member of the Board of Directors of Verint Systems since 2002 and is also currently a member of its Corporate Governance and Nominating Committee and its Audit Committee. The Company's Nominating Committee believes that Mr. DeMarines' experience as Chief Executive Officer of MITRE, together with his service on another public company board provide deep federal government sector and global business experience to the Company and qualify him to serve as a director of the Company.

*Robert E. Donahue* has been a NetScout director since March 2013. He currently serves on the board of directors of Sycamore Networks, Inc., an intelligent optical networking and multiservice access provider, where

he has served since July 2007. Mr. Donahue served on the board of directors of Cybersource Corporation, a leading provider of electronic payment and risk management solutions, from November 2007 to August 2010. From August 2004 to November 2007, Mr. Donahue served as the President and Chief Executive Officer of Authorize.Net Holdings, Inc. (formerly Lightbridge Inc.), a leading transaction processing company, before it was acquired by Cybersource Corporation in November 2007. Mr. Donahue also served as a member of Authorize.Net's board of directors from January 2004 until November 2007. The Company's Nominating Committee believes that Mr. Donahue's industry knowledge together with his service on other public company boards provide deep experience to the Company and qualify him to serve as a director of the Company.

*John R. Egan* has been a NetScout director since October 2000. Mr. Egan is a founding managing partner of Egan-Managed Capital, L.P., a Boston-based venture capital fund specializing in New England, information technology, and early-stage investments, which began in the fall of 1996, and is a managing partner of Carruth Associates. Since 1992, he has been a member of the Board of Directors and is currently the Chairman of the Mergers and Acquisitions Committee and member of the Finance Committee at EMC Corporation, a publicly-held provider of computer storage systems and software. Since 2007, Mr. Egan has served as a member of the Board of Directors and is currently the Chairman of the Mergers and Acquisitions Committee at VMWare, a publicly-held leader in virtualization and cloud infrastructure. Since 2011, Mr. Egan has served as a member of the Board of Directors and currently serves as Non-Executive Chairman of the Board of Directors and serves on the Compensation Committee at Progress Software Corp., a global software company. Since 2012, Mr. Egan has served as a member of the Board of Directors and is currently the Chairman of the Corporate Governance and Nominating Committee at Verint Systems, Inc., a publicly-held provider of systems to the internet security market. Mr. Egan also serves on the Board of Trustees at Boston College and as a director for two other privately held companies. The Company's Nominating Committee believes that Mr. Egan's extensive understanding and involvement in the information technology industry together with his executive leadership roles and his service on other public company boards provide deep experience to the Company and qualify him to serve as a director of the Company.

*Joseph G. Hadzima, Jr.* has been a NetScout director since July 1998. Mr. Hadzima has been a Managing Director of Main Street Partners, LLC, a venture capital investing and technology commercialization company, since April 1998. Since 2000, he has also been President of IPVision, Inc., a Main Street Partners portfolio company that provides intellectual property analysis systems and services. Mr. Hadzima is also a Senior Lecturer at MIT Sloan School of Management, of counsel at a law firm, and serves as a director on two private company boards. The Company's Nominating Committee believes that Mr. Hadzima's experience with emerging technology companies, his prior legal experience, and his service on other boards provide the Company with valuable business perspective and insight into emerging technologies that may affect the business and strategies of the Company and qualify him to serve as a director of the Company.

*Vincent J. Mullarkey* has been a NetScout director since November 2000. From May 2005 to June 2007, he was a member of the Board of Directors and the Chairman of the Audit Committee of webMethods, Inc., a then publicly-held business process integration software company that was acquired by Software AG in June 2007. Mr. Mullarkey was the Senior Vice President, Finance and Chief Financial Officer of Digital Equipment Corporation from 1994 until his retirement in September 1998. The Company's Nominating Committee believes that Mr. Mullarkey's board and audit committee experience in other public companies coupled with his financial experience in the technology arena provide the Company with essential business and financial expertise and qualify him to serve as a director of the Company.

There are no family relationships among any of our executive officers and directors.



### SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information regarding beneficial ownership of our common stock as of the Record Date by each beneficial owner of more than 5% of our common stock, each named executive officer named in the Summary Compensation Table, each director and nominee for director, and all executive officers and directors as a group.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned(1)	Percentage of Class Beneficially Owned
Anil K. Singhal(2)	2,263,563	5.5%
Michael Szabados(3)	61,828	*
John W. Downing(4)	94,224	*
Victor A. DeMarines(5)	28,379	*
Robert E. Donahue(6)	4,206	*
John R. Egan(7)	65,093	*
Joseph G. Hadzima, Jr.(8)	109,554	*
Vincent J. Mullarkey(9)	70,379	*
Stephen G. Pearse(10)	29,726	*
Jean Bua(11)	24,321	*
Brown Capital Management, LLC(12)  1201 N. Calvert Street  Baltimore, Maryland 21202	6,107,522	14.8%
Blackrock, Inc.(13)  40 East 52nd Street  New York, New York 10022	3,409,740	8.2%
The Vanguard Group(14)  100 Vanguard Blvd.  Malvern, Pennsylvania 19355	2,305,439	5.6%
Sterling Capital Management LLC(15)  Two Morrocroft Centre  4064 Colony Road, Suite 300  Charlotte, North Carolina 28211	2,221,110	5.4%
All executive officers and directors as a group (11 persons)(16)	2,646,432	6.6%

\* Represents less than one percent of class.

(1) Under applicable SEC rules and regulations, a person is considered to beneficially own our common stock if such person either has the sole or shared power with any other person to either vote or dispose of such common stock. As a result, more than one person may be reported as the beneficial owner of any particular share of our common stock. Beneficial ownership is determined in accordance with the rules of the SEC. Shares of common stock issuable by the Company to a person or entity named below pursuant to options which may be exercised within 60 days of the Record Date or restricted stock units which may vest within 60 days of the Record Date are deemed to be beneficially owned and outstanding for purposes of calculating the number of shares and the percentage beneficially owned by that person or entity. However, these shares are not deemed to be beneficially owned and outstanding for purposes of computing the percentage beneficially owned by any other person or entity. Unless otherwise noted, the address of each person listed on the table is c/o NetScout Systems, Inc., 310 Littleton Road, Westford, MA 01886, and each person has either sole or shared voting or dispositive power over the shares shown below as beneficially owned by such person.

(2)

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Includes 32,524 shares issuable upon the vesting of restricted stock units within 60 days of the Record Date. As of the Record Date, Mr. Singhal's spouse did not beneficially own at least five percent of the Company's outstanding common stock, and therefore the 1,081,201 shares held by trusts of which Mr. Singhal's spouse is deemed the beneficial owner are reported herein by Mr. Singhal. This amount does

not include an aggregate of 1,078,822 shares held in trusts for the benefit of Mr. Singhal's children for which neither Mr. Singhal nor his spouse is a trustee, and 59,961 shares held in a trust for the benefit of Mr. Singhal's nieces and nephews for which neither Mr. Singhal nor his spouse is a trustee.

- (3) Includes 20,859 shares issuable upon the vesting of restricted stock units within 60 days of the Record Date.
- (4) Includes 11,467 shares issuable upon the vesting of restricted stock units within 60 days of the Record Date.
- (5) Includes 3,486 shares issuable upon the vesting of restricted stock units within 60 days of the Record Date.
- (6) Includes 2,905 shares issuable upon the vesting of restricted stock units within 60 days of the Record Date.
- (7) Includes 4,648 shares issuable upon the vesting of restricted stock units within 60 days of the Record Date.
- (8) Includes 3,486 shares issuable upon the vesting of restricted stock units within 60 days of the Record Date.
- (9) Includes 10,000 shares issuable upon the exercise of options exercisable within 60 days of the Record Date and 3,486 shares issuable upon the vesting of restricted stock units within 60 days of the Record Date.
- (10) Includes 2,905 shares issuable upon the vesting of restricted stock units within 60 days of the Record Date.
- (11) Includes 9,075 shares issuable upon the vesting of restricted stock units within 60 days of the Record Date.
- (12) Based solely on a Schedule 13G/A filed with the SEC on February 13, 2014. Brown Capital Management, LLC has the sole power to vote 3,949,769 shares and sole dispositive power of 6,107,522 shares. Includes 3,399,110 shares beneficially owned by The Brown Capital Management Small Company Fund, a registered investment company which is managed by Brown Capital Management, LLC with respect to which The Brown Capital Management Small Company Fund has the sole power to vote and sole dispositive power.
- (13) Based solely on a Schedule 13G/A filed with the SEC on January 30, 2014. Blackrock, Inc. and its affiliates have the sole power to vote 3,296,508 shares and sole dispositive power of 3,409,740 shares.
- (14) Based solely on a Schedule 13G/A filed with the SEC on February 12, 2014. Includes 55,066 shares for which such reporting person has the sole power to vote. Vanguard Fiduciary Trust Company, a wholly-owned subsidiary of The Vanguard Group, Inc. is the beneficial owner of 52,166 shares as a result of serving as an investment manager of collective trust accounts. Vanguard Investments Australia, Ltd., a wholly-owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 2,900 shares as a result of its serving as investment manager of Australian investment offerings.
- (15) Based solely on a Schedule 13G filed with the SEC on February 8, 2012. Sterling Capital Management LLC has the sole power to vote and sole dispositive power with respect to all 2,221,110 shares beneficially owned.
- (16) Includes an aggregate of 10,000 shares issuable upon exercise of options exercisable within 60 days of the Record Date and an aggregate of 81,597 shares issuable upon the vesting of restricted stock units within 60 days of the Record Date.

## CORPORATE GOVERNANCE

### **Board Leadership Structure**

The Board is currently chaired by the President and Chief Executive Officer of the Company, Mr. Singhal. The Board believes combining the position of Chief Executive Officer and Chairman is in the best interest of the Company and its stockholders. As one of the co-founders of the Company, Mr. Singhal provides extensive technology vision and leadership; historical knowledge of the Company, its customers, and solutions; and a deep understanding of the opportunities and challenges facing the Company today. Those attributes, together with his combined role, place him in the best position to ensure that the Board and management act with a common purpose to execute the Company's strategic initiatives and business plans. To reinforce director independence and provide for leadership separate from the Chairman, the Company's Board appointed Mr. Egan as Lead Independent Director.

### **Director Independence**

Our Board has determined that each of Messrs. DeMarines, Donahue, Egan, Hadzima, Mullarkey, and Pearse is independent within the meaning of the director independence standards of The NASDAQ Global Market, or NASDAQ, and the SEC. Furthermore, our Board has determined that each member of our Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee of our Board is independent within the meaning of the Company's, NASDAQ's, and the SEC's independence standards, as applicable.

### **Executive Sessions of Independent Directors**

Our Board holds executive sessions of the independent members of our Board following each regularly scheduled in-person meeting of our Board. The Lead Independent Director, currently Mr. Egan, chairs the executive sessions.

### **Policies Governing Director Nominations**

#### *Director Qualifications*

Our Nominating Committee is responsible for reviewing with our Board the appropriate qualities, skills, and characteristics desired of Board members in the context of the needs of the business and current make-up of our Board. This assessment includes consideration of the following minimum qualifications that our Nominating Committee believes must be met by all directors:

Directors must be individuals of the highest ethical character and integrity and share our values as reflected in our Code of Business Conduct;

Directors must have reputations, both personal and professional, consistent with our image and reputation;

Directors must be free of conflicts of interest that would interfere with the proper performance of the responsibilities of a director;

Directors must have the ability to exercise sound business judgment;

Directors must be willing and able to devote sufficient time to the affairs of the Company and be diligent in fulfilling the responsibilities of a director and/or committee member, as the case may be;

Directors must have substantial business or professional experience and expertise and be able to offer meaningful and practical advice and guidance to our management based on that experience and expertise; and

Directors must have a commitment to enhancing stockholder value.

The Nominating Committee also considers numerous other qualities, skills, and characteristics when evaluating director nominees, such as:

An understanding of and experience in the network application/performance management solutions market, the market for networking solutions generally and related accounting, legal, finance, product, sales and/or marketing matters;

Experience on other public or private company boards, unless a director otherwise provides complementary capabilities or qualifies as an audit committee financial expert under the rules of the SEC;

Leadership experience with public companies or other major organizations; and

Diversity of the Board, taking into account the business and professional experience, educational background, reputation, industry expertise across various market segments and technologies relevant to our business, as well as other relevant attributes of the candidates.

Board members are expected to prepare for, attend, and participate in Board meetings and meetings of committees on which they serve. In addition, directors must stay abreast of our business and markets.

#### *Process for Identifying and Evaluating Director Nominees*

The Board is responsible for nominating persons for election as directors of the Company. Our Board delegates the initial selection process to our Nominating Committee, with the expectation that other members of our Board, and of management, will take part in the process as appropriate.

Generally, the Nominating Committee identifies candidates for director nominees in consultation with management, through the use of search firms or other advisers, or through such other methods as our Nominating Committee deems to be helpful to identify candidates. Once candidates have been identified, our Nominating Committee confirms that the candidates meet all of the minimum qualifications for director nominees established by the Nominating Committee and set forth in the Corporate Governance Guidelines. The Nominating Committee may gather information about the candidates through interviews, questionnaires, background checks, or any other means that the Nominating Committee deems to be helpful in the evaluation process. The Nominating Committee then meets to discuss and evaluate the qualities and skills of each candidate in light of the criteria set forth above or established by the Nominating Committee from time to time, both on an individual basis and taking into account the overall composition and needs of our Board. Based on the results of the evaluation process, the Nominating Committee recommends candidates for our Board's approval as director nominees for election to the Board. The Nominating Committee also recommends candidates for the Board's appointment to the committees of our Board.

#### **Stockholder Recommendations For Nominees As Directors and the Proposal of Other Business**

Our Nominating Committee will consider recommendations for candidates for nominees as directors and proposals for business other than director nominations that are properly submitted by stockholders. Any recommendation of a nominee for the Board or any proposal for business other than director nominations by our stockholders with respect to our Annual Meeting of Stockholders for the fiscal year ended March 31, 2015, or the 2015 Annual Meeting, must be submitted in writing to our principal executive offices at 310 Littleton Road, Westford, Massachusetts 01886, attention: Secretary, and must be received by us and comply with the requirements set forth in the Company's by-laws.

Any communication with respect to nominees as directors should (i) describe why the candidate meets the Board's criteria described above; (ii) include the candidate's and recommender's names and addresses and provide biographical information about the recommended candidate that would be required to be disclosed in solicitations of proxies for election of directors; (iii) include the proposed nominee's written consent to serve as a nominee, if nominated, and as a director, if elected; and (iv) contain any additional information otherwise required by Regulation 14A under the Exchange Act.

Any communication with respect to the proposal of business other than director nominations should include, among other matters required by our by-laws, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder or any stockholder associated person (as defined in our by-laws), if any, on whose behalf the proposal is made.

The requirements for stockholder director nominations and proposals other than director nominations appear in our by-laws. Only such individuals who are nominated in accordance with the procedures described above and in our by-laws will be eligible for election by stockholders as directors and only such business brought before the meeting in accordance with the procedures set forth above and in our by-laws will be conducted at a meeting of stockholders. We have not received any stockholder recommendations or nominations with respect to our Annual Meeting.

To be considered for inclusion in next year's proxy materials, your proposal must be submitted in writing to our principal executive offices at 310 Littleton Road, Westford, Massachusetts 01886, attention: Secretary, and must be received by us no later than March 26, 2015. Proposals must satisfy the procedures set forth in Rule 14a-8 under the Exchange Act. If you wish to submit a proposal for the 2015 Annual Meeting but not have it included in next year's proxy materials for such meeting or wish to nominate a director, you must submit such proposal or nomination in writing to our principal executive offices at the address noted above, which must be received by us no earlier than the close of business of May 12, 2015 and no later than the close of business of June 11, 2015 and must satisfy the requirements described above and in our by-laws. In order to curtail controversy as to the date on which a proposal was received by us, we suggest that you submit your proposals by registered mail, return receipt requested.

#### **Policy Governing Security Holder Communications with the Board of Directors**

The Board provides to every stockholder the ability to communicate with the Board as a whole and with individual directors through an established process for security holder communication (as that term is defined by the rules of the SEC) as follows:

For communications directed to the Board as a whole or to a specific member of the Board, stockholders may send such communications to the attention of the Chairman of the Board with respect to general communications or to the attention of the specific director, in each case, by one of the three methods listed below:

*By U.S. mail* (including courier or other expedited delivery service): NetScout Systems, Inc., 310 Littleton Road, Westford, MA 01886 Attn: [Chairman of the Board]/[Individual Director], c/o Investor Relations

*By facsimile*: (978) 614-4004, Attn: [Chairman of the Board]/[Individual Director], c/o Investor Relations

*By email*: ir@netscout.com

We will forward any such stockholder communications to the Chairman of our Board, as a representative of our Board, and/or to the director to whom the communication is addressed.

#### **Policy Governing Director Attendance at Annual Meetings of Stockholders**

Our policy is that one of the regularly scheduled in-person meetings of our Board will be scheduled on the same day as our annual meeting of stockholders, and all directors are encouraged to attend our annual meeting of stockholders. All of the members of our Board attended the Annual Meeting of Stockholders held on August 26, 2013.

**Code of Ethics**

We have adopted a code of ethics as defined by regulations promulgated under the Securities Act of 1933, as amended, and the Exchange Act, which applies to all of the employees, officers, and directors of the Company and our subsidiaries, including our principal executive officer, principal financial officer, principal accounting officer and controller, and persons performing similar functions. A current copy of the Code of Business Conduct is available at the Corporate Governance section of our website at <http://www.netscout.com/investors/>. NetScout intends to disclose amendments to or waivers from provisions of the Code of Business Conduct that apply to our principal executive officer, principal financial officer, principal accounting officer or controller, and persons performing similar functions, by posting such information on our website, available at <http://www.netscout.com/investors/>.

For more corporate governance information, you are invited to visit the Corporate Governance section of our website, available at <http://www.netscout.com/investors/>. Contents of our website are not part of or incorporated by reference into this proxy statement.

**Majority Vote Policy**

It is the policy of NetScout that any nominee for election to the Board who receives a greater number of votes withheld from his or her election than votes for such election shall submit his or her offer of resignation for consideration by the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee shall consider all of the relevant facts and circumstances and recommend to the Board the action to be taken with respect to such offer of resignation. The Board will then act on the Nominating and Corporate Governance Committee's recommendation.



## THE BOARD OF DIRECTORS AND ITS COMMITTEES

### Board of Directors

The Board met seven times during the fiscal year ended March 31, 2014. Each of the directors attended at least 75% of the total number of meetings of our Board and the committees on which they served during fiscal year 2014. The Board has standing Audit, Compensation, Nominating and Corporate Governance, and Finance Committees.

### Audit Committee

The Audit Committee, of which Messrs. DeMarines, Donahue, Egan, Mullarkey, and Pearse are members, is responsible for (1) reviewing and overseeing the financial reports we provide to the SEC, our stockholders, or to the general public, and our accounting policies, internal accounting controls, internal control over financial reporting, auditing functions, and financial reporting practices; (2) appointing, and ensuring the independence of, our independent auditor and thereby furthering the integrity of our financial reporting; and (3) establishing procedures designed to facilitate the receipt, retention, and handling of complaints regarding disclosure controls and procedures, internal control over financial reporting and accounting, internal accounting control or auditing matters; and the receipt of confidential, anonymous submissions by our employees of concerns regarding questionable accounting or auditing matters. Additionally, the Audit Committee reviews and monitors the Company's compliance with its related party transaction approval policy. A copy of the Audit Committee Charter is available at the Corporate Governance section of our website at <http://www.netscout.com/investors/>. The Audit Committee met eight times during the fiscal year ended March 31, 2014. Mr. Mullarkey serves as the Chairman of the Audit Committee, and he and Mr. Donahue qualify as audit committee financial experts under the rules of the SEC. Our Board has determined that each member of our Audit Committee is independent within the meaning of the Corporation's and NASDAQ's director independence standards and the SEC's heightened director independence standards for audit committee members. Following the Annual Meeting, Mr. Pearse will no longer serve as a member of the Audit Committee.

### Compensation Committee

The Compensation Committee, of which Messrs. DeMarines, Donahue, Hadzima, and Pearse are members, is responsible for discharging the responsibilities of the Board relating to the compensation of our executives other than our Chief Executive Officer, administering our incentive compensation and stock plans, reviewing and making recommendations with respect to the compensation of our Chief Executive Officer, reviewing our benefit plans and human resource activities, and reviewing with our management and recommending for inclusion in our proxy statements and incorporation by reference in our Annual Reports on Form 10-K the Compensation Disclosure and Analysis. A copy of the Compensation Committee Charter is available at the Corporate Governance section of our website at <http://www.netscout.com/investors/>. Our Compensation Committee met nine times during the fiscal year ended March 31, 2014. Mr. Hadzima serves as the Chairman of the Compensation Committee. The Board has determined that each member of our Compensation Committee is independent within the meaning of the Corporation's and NASDAQ's director independence standards and is a non-employee director as defined by applicable SEC rules and regulations. Following the Annual Meeting, Mr. Pearse will no longer serve as a member of the Compensation Committee.

### Nominating and Corporate Governance Committee

The Nominating Committee, of which Messrs. DeMarines, Egan, and Hadzima are members, is responsible for identifying individuals qualified to become directors, recommending to our Board the director nominees for election, and monitoring compliance with and periodically reviewing our Code of Business Conduct and Corporate Governance Guidelines. A copy of the Nominating Committee Charter is available at the Corporate Governance section of our website at <http://www.netscout.com/investors/>.

Our Nominating Committee met two times during the fiscal year ended March 31, 2014. Mr. Egan serves as the Chairman of the Nominating Committee. The Board has determined that each member of the Nominating Committee is independent within the meaning of the Company's and NASDAQ's director independence standards.

#### **Finance Committee**

The Finance Committee, of which Messrs. Mullarkey, DeMarines, Hadzima, and Egan are currently members, considers strategic initiatives and other opportunities that may become available to the Company from time to time. During the fiscal year ended March 31, 2014, the Finance Committee met two times. Mr. DeMarines serves as the Chairman of the Finance Committee.

#### **Report of Audit Committee of the Board of Directors<sup>1</sup>**

The Audit Committee has reviewed and discussed the audited financial statements for the fiscal year ended March 31, 2014 with our management and PricewaterhouseCoopers LLP (PwC), our independent registered public accounting firm. Management is responsible for the preparation, presentation and integrity of the financial statements, accounting and financial reporting principles and internal control over financial reporting. PwC is responsible for performing an independent audit of the financial statements in accordance with the standards of the Public Company Accounting Oversight Board (PCAOB) and for expressing opinions on the conformity of the financial statements with accounting principles generally accepted in the United States.

The Audit Committee has discussed with PwC the matters required to be discussed by PCAOB AU Section 380, *Communications with Audit Committees*, and has received the written disclosures and the letters from PwC required by applicable requirements of the PCAOB regarding the independent auditor's communications with the Audit Committee concerning independence. The Audit Committee has also discussed with PwC their independence.

Based on its reviews and discussions referred to above, the audit committee recommended to the Board that the audited financial statements be included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2014 for filing with the SEC.

#### ***Respectfully submitted by the Audit Committee***

Vincent J. Mullarkey, Chairman

Victor A. DeMarines

Robert E. Donahue

John R. Egan

Stephen G. Pearse

#### **The Board's Role in Risk Oversight**

The Board administers risk management and oversight through the Board as a whole, as well as through various Board committees that address risks inherent in their respective areas of oversight. The Board seeks to ensure that risk management principles are incorporated in the Company's strategic planning and management processes and oversees the Company's enterprise risk management program. This comprehensive approach is reflected in the reporting processes by which our management provides timely and comprehensive information to the Board to support the Board's role in oversight, approval, and decision-making.

<sup>1</sup> The material in this report is not soliciting material, is not deemed filed with the Commission and is not to be incorporated by reference in any filing of the Company under the Securities Act or the Exchange Act, other than the Company's Annual Report on Form 10-K, where it shall be deemed furnished, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

The Board monitors the information it receives and requests from management and provides oversight and guidance to our senior management team concerning the assessment and management of risk. The Board approves the Company's high level goals, strategies, and policies to set the tone and direction for appropriate risk taking within the business. The Board and its committees then emphasize this tone and direction in its oversight of management's implementation of the Company's goals, strategies and policies.

Our senior executives regularly attend meetings of the Board and its committees and provide the Board and its committees with reports regarding the Company's operations, strategies, and objectives, and the risks inherent within them. Board and committee meetings also provide a forum for directors to discuss issues with, request additional information from, and provide guidance to, senior management. In addition, our directors have direct access to senior management to discuss any matters of interest, including those related to risk. Those members of management most knowledgeable of the issues regularly attend Board and committee meetings to provide additional insight into items being discussed, including risk exposures.

The Board has delegated oversight for matters involving certain specific areas of risk exposure to its three principal committees. Each committee reports to the Board at regularly scheduled Board meetings, and more frequently if appropriate, with respect to the matters and risks for which the committee provides oversight. Each committee is also authorized and empowered to retain independent advisors as the committee deems appropriate to discharge its responsibilities under such committee's charter.

The Audit Committee oversees the integrity of our financial statements, reporting process and internal controls, the relationship with our independent registered public accounting firm, including their qualifications, independence and performance, and the Company's corporate finance matters, including its capital structure. The Audit Committee also provides oversight with respect to the Company's risk management process and litigation and compliance programs, discussing with management the Company's significant financial risk exposures, steps management has taken to monitor, control, and report such exposures, and our policies with respect to risk assessment and risk management.

The Audit Committee oversees the Company's enterprise risk management program, in which the Company has identified strategic, operational, financial, and legal risks as well as emerging risks, considering the likelihood and magnitude of such risks and other criteria management as the Audit Committee deems appropriate. Under the program, management identifies and evaluates the effectiveness of risk management and mitigation methods and periodically reports to the Audit Committee and at least annually to the Board to allow the Audit Committee and Board to monitor and manage the Company's ongoing enterprise risk management process.

Our Compensation Committee is responsible primarily for the design and oversight of the Company's executive compensation policies, plans and practices. A key objective of the Compensation Committee is to ensure that the Company's overall executive compensation program appropriately links pay to performance and aligns the interests of the Company's executives with our stockholders. The Compensation Committee also monitors the design and administration of the Company's overall incentive compensation programs to ensure that they include appropriate safeguards to avoid encouraging unnecessary or excessive risk taking by Company employees. Elements of our executive compensation program that mitigate excessive risk taking, such as our combination of short and long-term incentives, are described below under Compensation Discussion and Analysis.

The Nominating Committee oversees risks related to our corporate governance, including Board and director performance, director succession, director education, and the Company's Corporate Governance Guidelines and other governance documents. The Nominating Committee also oversees the Company's overall compliance program. The Nominating Committee has conducted Board-wide risk and compliance education.

**COMPENSATION AND OTHER INFORMATION**

**CONCERNING DIRECTORS AND EXECUTIVE OFFICERS**

The following summary compensation table sets forth the total compensation paid or accrued for the fiscal year ended March 31, 2014 to our Chief Executive Officer, Chief Financial Officer, and each of our two other most highly compensated executive officers during the fiscal year ended March 31, 2014. The executives listed below may be referred to as our Named Executive Officers.

**Summary Compensation Table for Fiscal Year 2014**

Name and Principal Position	Fiscal Year	Salary(\$)	Restricted Stock Unit Awards(1)(\$)	Non-Equity Incentive Plan Compensation(\$)	Change in Pension Value(2)(\$)	All Other Compensation(3)(\$)	Total(\$)
Anil K. Singhal	2014	325,000	1,075,842	881,459		64,566	2,346,867
Chairman, Chief Executive Officer, and President	2013	325,000	1,000,007	709,321		66,070	2,100,398
	2012	325,000	611,450	360,000	232,000	46,688	1,575,138
Michael Szabados	2014	275,000	645,500	387,222		14,590	1,322,312
Chief Operating Officer	2013	275,000	599,989	307,373		16,772	1,199,134
	2012	275,000	436,464	156,000		12,437	879,901
Jean Bua(4)	2014	262,924	376,533	260,495		11,626	911,578
Senior Vice President, Chief Financial Officer and Treasurer	2013	236,667	199,996	189,152		10,023	635,838
	2012	200,000	174,586	78,980		7,350	460,916
John W. Downing(5)	2014	237,500	376,533	338,709		14,052	966,794
Senior Vice President, Worldwide Sales Operations	2013	237,500	350,006	264,621		10,120	862,247
	2012	237,500	218,232	183,783		7,480	646,995

- (1) Amounts shown represent the aggregate full grant date fair value calculated in accordance with FASB ASC 718, disregarding adjustments for forfeitures. The assumptions used to value these awards are set forth in Note 14 to our Annual Report on Form 10-K for the year ended March 31, 2014. The fair value shown above may not be indicative of the value realized on the date the options are exercised or the RSUs vest due to variability in the share price of our common stock. When granted, restricted stock units vest over four years and are valued based upon the closing market price of our common stock at the date of grant.
- (2) Change in Pension Value for Mr. Singhal represents vesting in fiscal 2012 towards a future retirement benefit. Total future severance payments are projected at \$1,400,000. Mr. Singhal's future retirement benefit also includes a projected \$200,000 in payments for future health benefits. Both were fully vested in fiscal year 2012.
- (3) Includes 401(k) contributions made by the Company on behalf of the Named Executive Officer. See the All Other Compensation Table below for additional information.
- (4) The salary amounts shown for Ms. Bua for fiscal years 2013 and 2014 do not reflect her full base salary due to rate increases which were approved after the start of each fiscal year. Ms. Bua's base salary information was \$ 240,000 and \$265,000 respectively.
- (5) The information presented for Mr. Downing under the Non-Equity Incentive Plan Compensation column consists of sales commissions and bonus for the fiscal years ended March 31, 2012, 2013 and 2014.

*Option Awards.* We did not make any option grants during the fiscal years ended March 31, 2012, 2013, or 2014 to any of our Named Executive Officers. Therefore, we have omitted this column.

*Nonqualified Deferred Compensation Earnings.* We currently do not provide a non-qualified defined contribution plan or other deferred compensation plan to any of our Named Executive Officers.

## All Other Compensation Table for Fiscal Year 2014

Name and Principal Position	Fiscal Year	Car Usage(\$)	Financial and Legal Counseling(\$)	401(K) Match(\$)	Other(1)(\$)	Total(\$)
Anil K. Singhal	2014	21,476	29,700	7,500	5,890	64,566
Michael Szabados	2014		1,200	7,500	5,890	14,590
Jean Bua	2014			7,688	3,938	11,626
John W. Downing	2014			7,880	6,172	14,052

- (1) This column reports the total amount of other benefits provided, none of which individually exceeded the greater of \$25,000 or 10% of the total amount of All Other Compensation for the Named Executive Officer. These other benefits include the value of supplemental life insurance premiums and spousal attendance at company sponsored events.

## Grants of Plan-Based Awards in Fiscal Year 2014

The following table sets forth grants of plan-based awards to each of our Named Executive Officers for the year ended March 31, 2014:

Name	Grant Date	Grant Type	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards		Estimated Possible Payouts Under Equity Incentive Plan Awards		Grant Date Fair Value of Stock and Option Awards (\$)(3)
			Threshold (\$)	Target (\$)	Maximum Threshold (\$)(1)	Target Maximum (\$)(2)	
Anil K. Singhal	8/26/13	RSU				41,667	1,075,842
	5/24/13	Cash		626,000			
Michael Szabados	8/26/13	RSU				25,000	645,500
	5/22/13	Cash		275,000			
Jean Bua	8/26/13	RSU				14,583	376,533
	5/22/13	Cash		185,000			
John W. Downing	8/26/13	RSU				14,583	376,533
	5/22/13	Cash		287,500			

- (1) Actual non-equity incentive plan awards are made based on various factors including the Company's overall performance, as described more fully in the Compensation Discussion and Analysis. As described, the Company has not set prescribed maximum payments, and the possible award could exceed 100% of an individual's target if the Company exceeded its goals and the individual met or exceeded his goals. However, the Company expects that awards exceeding 100% would be unusual.
- (2) Actual equity incentive plan awards are made based on various factors including the Company's overall performance, as described more fully in the Compensation Discussion and Analysis. As described, the Company has not set prescribed maximum awards.
- (3) Amounts shown represent the aggregate full grant date fair value calculated in accordance with FASB ASC 718, disregarding adjustments for forfeitures. The assumptions used to value these awards are set forth in Note 14 to our Annual Report on Form 10-K for the year ended March 31, 2014. The fair value shown above may not be indicative of the value realized on the date the options are exercised or the RSUs vest due to variability in the share price of our common stock.

During the fiscal year ended March 31, 2014, we did not make any other stock awards or other option awards and have therefore omitted those columns.

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**Outstanding Equity Awards at Fiscal Year 2014 End Table**

Name	Grant Date	Option Awards				Stock Awards	
		Number of Securities Underlying Unexercised Options( #) Exercisable	Number of Securities Underlying Unexercised Options( #) Unexercisable	Option Exercise Price(\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested(#)	Market Value of Shares or Units of Stock That Have Not Vested(\$)
Anil K. Singhal	8/26/13					41,667	1,565,846
	8/21/12					31,044	1,166,634
	9/7/11					23,520	883,882
	6/9/10					19,056	716,124
Michael Szabados	8/26/13					25,000	939,500
	8/21/12					18,626	699,965
	9/7/11						