

NETSCOUT SYSTEMS INC
Form DEF 14A
July 12, 2012

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)

Payment of Filing Fee (Check the appropriate box):

No fee required.

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

Edgar Filing: NETSCOUT SYSTEMS INC - Form DEF 14A

(1) Title of each class of securities to which transaction applies:
Not Applicable

(2) Aggregate number of securities to which transaction applies:
Not Applicable

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
Not Applicable

(4) Proposed maximum aggregate value of transaction:
Not Applicable

(5) Total fee paid:
Not Applicable

.. Fee paid previously with preliminary materials.

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

(1) Amount previously paid:
Not Applicable

(2) Form, Schedule or Registration Statement No.:
Not Applicable

(3) Filing Party:
Not Applicable

(4) Date Filed:
Not Applicable

July 12, 2012

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of NetScout Systems, Inc. on Tuesday, August 21, 2012 at NetScout Systems, Inc., 310 Littleton Road, Westford, Massachusetts.

At the Annual Meeting, you will be asked to (1) elect two directors nominated by our Board, (2) ratify the selection of PricewaterhouseCoopers LLP as auditors for the fiscal year ending March 31, 2013, and (3) approve, on an advisory basis, the compensation of our named executive officers. The accompanying proxy statement describes these matters in more detail.

If you are a stockholder of record, please complete, sign, and date the enclosed proxy card and return it promptly in the enclosed postage prepaid envelope. 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.

It is important that your shares be voted whether or not you attend the meeting. 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 2012 ANNUAL MEETING OF STOCKHOLDERS

To Be Held August 21, 2012

To the Stockholders of NetScout Systems, Inc.:

The Annual Meeting of Stockholders of NetScout Systems, Inc. will be held on Tuesday, August 21, 2012, at 10:00 a.m. local time at NetScout Systems, Inc., 310 Littleton Road, Westford, Massachusetts 01886, for the following purposes:

1. To elect two Class I directors nominated by our Board to serve for three year terms or until their respective successors are 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, 2013.
3. To approve, on an advisory basis, the compensation of our named executive officers, as disclosed in this proxy statement in accordance with Securities 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 June 28, 2012, or the Record Date, will be entitled to vote at the meeting and any adjournments.

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 enclosed proxy card as soon as possible so that your shares can be voted at the Annual Meeting in accordance with your instructions. No postage is necessary if the proxy card is mailed in the U.S. 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 for details. 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 of Stockholders to be held on August 21, 2012. This proxy statement, the proxy card, and NetScout's Annual Report to Stockholders for the fiscal year ended March 31, 2012 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 12, 2012

NETSCOUT SYSTEMS, INC.

310 Littleton Road

Westford, MA 01886

PROXY STATEMENT

July 12, 2012

Questions and Answers about the Annual Meeting and Voting

Why did I receive these proxy materials?

The Board of Directors, or the Board, of NetScout Systems, Inc., a Delaware corporation, or NetScout, is providing these proxy materials to you in connection with the Board's solicitation of proxies to be voted at our 2012 Annual Meeting of Stockholders, or the Annual Meeting. The proxy materials include the proxy statement, form of proxy, and Annual Report to Stockholders, which contains financial statements for the fiscal year ended March 31, 2012.

You are invited to attend the Annual Meeting on Tuesday, August 21, 2012 at 10:00 a.m. local time at NetScout Systems, Inc., 310 Littleton Road, Westford, Massachusetts 01886.

This Proxy Statement and the form of proxy were first mailed to stockholders on or about July 12, 2012.

What is the purpose of the Annual Meeting?

The purpose of the Annual Meeting is to:

elect two Class I directors nominated by our Board to serve for three year terms or until their respective successors are elected and qualified;

ratify the selection of PricewaterhouseCoopers LLP as our an independent registered public accounting firm for the fiscal year ending March 31, 2013;

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

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** each nominee to our Board, **FOR** the ratification of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending March 31, 2013, and **FOR** approval of the compensation of our named executive officers.

Who can vote?

Stockholders of record as of June 28, 2012, or the Record Date, may vote. As of June 28, 2012, 41,708,608 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 a stockholder of record?

Edgar Filing: NETSCOUT SYSTEMS INC - Form DEF 14A

A stockholder of record owns NetScout stock which is recorded on the books of our transfer agent, Computershare Shareowner Services. If you hold our stock through a bank, broker, or other intermediary, you are not a stockholder of record but instead hold the stock in street name. If your stock is held in a street name, the stockholder of record of your shares would be the bank, broker, or intermediary. If you are not a stockholder of record, we do not know that you are a stockholder or how many shares you own.

How do I vote my shares?

Whether or not you plan to attend the Annual Meeting, you should vote your shares by completing, signing, and dating the accompanying proxy card and returning it in the enclosed postage prepaid envelope. If your shares are held in a bank or brokerage account you may be eligible to vote electronically or by telephone. Please refer to the vote instruction form for instructions. If you attend the Annual Meeting, you may vote in person, even if you have already voted. If you plan to attend the Annual Meeting and vote, and your shares are held by a bank or broker, you should check with your bank or broker to get the appropriate forms.

Our Board named Anil K. Singhal and David P. Sommers 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 nominees 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, 2013, 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 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.

How is a quorum determined?

A quorum of stockholders is necessary to hold a valid 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 41,708,608 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 of shares held in street name does not give instructions to the broker or nominee holding the shares as to how to vote on matters deemed non-routine. Generally, if shares are held in street name, the beneficial owner of the shares is entitled to give voting instructions to the broker or nominee holding the shares. If the beneficial owner does not provide voting instructions, the broker or nominee can still vote the shares with respect to matters that are considered to be routine, but not with respect to non-routine matters. Under the rules and interpretations of the New York Stock Exchange, which govern this issue regardless of the exchange on which a company is listed, non-routine matters are matters that may substantially affect the rights or privileges of stockholders, such as mergers, stockholder proposals, and the election of directors, even if they are not contested. Therefore, your broker will not be permitted to vote for directors on your behalf unless you provide them with specific voting instructions before the date of the Annual Meeting. 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, 2013.

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, bank, or other nominee) 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 Directors: The nominees to serve as Class I directors who receive 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 directors. Brokerage firms do not have authority to vote customers' unvoted shares held by the firms in street name for the election of the director. As a result, any shares not voted by a customer will be treated as a broker non-vote. Such broker non-votes will have no effect on the results of this vote. If a 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 discussed in more detail on page 16 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 with respect to the fiscal year ending March 31, 2013. Abstentions will be counted towards the vote total and will have the same effect as Against votes. Brokerage firms do have authority to vote customers' unvoted shares held by the firms in street name 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, 2013, 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. Brokerage firms do not have authority to vote customers' unvoted shares held by the firms in street name on this proposal. As a result, any shares not voted by a customer will be treated as a broker non-vote. Such broker non-votes will have no effect on the results of this vote.

An automated system administered by our transfer agent tabulates the votes for each proposal above.

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 14, 2013. 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. 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 for such Annual Meeting or wish to nominate a director, you must submit such proposal or nomination in writing to our principal 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 April 23, 2013 and no later than the close of business of May 23, 2013 and must satisfy the requirements described below under Stockholder Recommendations for Nominees as Director and 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, 2012, or if no proxy statement was delivered to the stockholders in connection with the preceding annual meeting, 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 banks, brokers and other nominee record holders may be householding our proxy statements and annual reports to stockholders. This means that only one copy of our proxy statement and annual report to stockholders 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 01866, Attn: Investor Relations, telephone: (978) 614-4000. If you want to receive separate copies of the proxy statement or annual report to stockholders in the future or if you are receiving multiple copies and would like to receive only one copy per household, you should contact your bank, broker, or other nominee record holder, or you may contact us at the above address and telephone number.

Notice Regarding the Availability of Proxy Materials

Stockholders of record will receive printed proxy materials by mail. In accordance with SEC regulations, we may now furnish proxy materials electronically to each stockholder in street name. Accordingly, all of our stockholders in street name will receive a Notice of Internet Availability, which will be mailed on or about July 12, 2012.

On the date of mailing of the Notice of Internet Availability, such stockholders will be able to access all of the proxy materials on the internet, free of charge, at www.netscout.com/investors. The Notice of Internet Availability will instruct you how to access the proxy materials (including our annual report to stockholders) over the internet. The website will have instructions on how to vote by internet or telephone. The Notice of Internet Availability will also instruct you how to request a paper copy of the proxy card. If you received a Notice of Internet Availability 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 of Internet Availability.

PROPOSAL 1**ELECTION OF DIRECTORS**

The following table sets forth the current directors and the nominees to be elected at the Annual Meeting, as described more fully below:

Nominee or Director's Name and

Year First Became Director	Positions with NetScout	Year Term Will Expire	Class
Nominees:			
Victor A. DeMarines (2004)	Director	2015	I
Vincent J. Mullarkey (2000)	Director	2015	I
Continuing Directors:			
Anil K. Singhal (1984)	Chairman, President, and Chief Executive Officer	2013	II
John R. Egan (2000)	Director	2013	II
Stuart M. McGuigan (2005)	Director	2013	II
Joseph G. Hadzima, Jr. (1998)	Director	2014	III
Stephen G. Pearse (2007)	Director	2014	III

The nominees for Class I directors are Messrs. DeMarines and Mullarkey

Messrs. DeMarines and Mullarkey are Class I directors whose terms expire at this Annual Meeting and who are nominees for re-election for a term that would expire upon the election and qualification of directors at the Annual Meeting to be held in 2015.

Continuing Directors

The Board is also composed of three Class II directors, Messrs. Singhal, Egan and McGuigan, whose terms expire in 2013, and two Class III directors, Messrs. Hadzima and Pearse, whose terms expire in 2014.

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 Messrs. DeMarines and Mullarkey be re-elected as Class I directors, to hold office until the Annual Meeting to be held in the year 2015 or until their successors have been duly elected and qualified or until their earlier resignation or removal.

The Board knows of no reason why the nominees would be unable or unwilling to serve, but if any of the nominees 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 nominees named above.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE
NOMINEES 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, 2013. 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. In accordance with that policy, this year, the Company is again asking the 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.

The goal of 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 attempting to minimize risks that could result from compensation decisions. 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 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 the stockholder 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.

Advisory approval of this proposal requires the vote of the holders of a majority of the shares present in person or represented by proxy and voting on the proposal at the Annual Meeting.

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

DIRECTORS AND EXECUTIVE OFFICERS

Name	Age	Positions
Anil K. Singhal	58	Chairman, President, Chief Executive Officer, and Director
Michael Szabados	60	Chief Operating Officer
David P. Sommers	65	Executive Vice Chairman
John W. Downing	54	Senior Vice President, Worldwide Sales Operations
Jean Bua	53	Vice President, Chief Financial Officer and Treasurer
Victor A. DeMarines	75	Director
John R. Egan	54	Director
Joseph G. Hadzima, Jr.	60	Director
Stuart M. McGuigan	51	Director
Vincent J. Mullarkey	64	Director
Stephen G. Pearse	53	Director

Executive Officers

Anil Singhal co-founded the Company in June 1984 and has served as our Chairman, President, and Chief Executive Officer since January 2007. From January 2001 until January 2007, Mr. Singhal served as President, Chief Executive Officer, Treasurer, and Director. 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 since April 2007. Before that, he served as our Senior Vice President, Product Operations for over five years.

David P. Sommers has served as Executive Vice Chairman since December 2011. From April 2007 until December 2011, he served as our Senior Vice President, Operations, Chief Financial Officer, Treasurer, and Secretary. Before that, he served as our Senior Vice President, General Operations and Chief Financial Officer for over five years.

Jean Bua has served as our Vice President, Chief Financial Officer and Treasurer since December 2011. 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, or American Tower, from April 2009 until September 2010. She served as Interim Chief Financial Officer of American Tower from June 2008 through March 2009. From February 2007 until June 2008, Ms. Bua was Executive Vice President, Finance and Corporate Controller of American Tower, and, from August 2005 until February 2007, she was Senior Vice President, Finance and Corporate Controller of American Tower.

John W. Downing has served as our Senior Vice President, Worldwide Sales Operations since April 2007. 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 its cyber activity. Since 2002, he has been a member of the Board of Directors and is currently a member of the Stock Option Committee and Audit Committee of Verint Systems Inc., a publicly-held provider of systems to the security marketplace. 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 insightful federal government sector and global business experience to 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 at Progress Software Corp., a global software company. 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 invaluable experience to 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 2001, 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 impact the business and strategies of the Company and qualify him to serve as a director of the Company.

Stuart M. McGuigan has been a NetScout director since August 2005. Since April 2012, Mr. McGuigan has been the Vice President and global Chief Information Officer of Johnson & Johnson, a publicly-held healthcare products company. From December 2008 to April 2012, Mr. McGuigan was Senior Vice President and Chief Information Officer of CVS Caremark Corporation, a publicly-held pharmacy services company. Prior to this, Mr. McGuigan served as Senior Vice President and Chief Information Officer for Liberty Mutual Insurance Group from 2004 to 2008. From 1988 to 2004, Mr. McGuigan held a variety of business and technology executive positions at Merck and Medco Health Solutions, including Senior Vice President, Information Services. The Company's Nominating Committee believes Mr. McGuigan's service in numerous financial, operational, executive and director roles in the healthcare and insurance industries provide the Company with valuable leadership skills and an exceptional understanding of global business operations in some of the Company's key verticals.

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.

Stephen G. Pearse has been a NetScout director since May 2007. He has been a principal with investment firms Yucatan Rock, Inc. since 2001 and Common Angels since 2004 and sits on the boards of Emerson Hospital and Communities for Restorative Justice. The Company's Nominating Committee believes that Mr. Pearse's experience in the telecommunications and wireless industries provides useful insight to a key vertical focus of the Company and qualifies him for service 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 all executive officers and directors as a group. 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.

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.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned(1)	Percentage of Class Beneficially Owned
Anil K. Singhal(2)	2,915,782	6.99%
David P. Sommers	192,326	*
Michael Szabados	49,793	*
John W. Downing	61,115	*
Victor A. DeMarines(3)	41,168	*
John R. Egan(4)	55,478	*
Joseph G. Hadzima, Jr.(5)	127,950	*
Vincent J. Mullarkey(6)	73,168	*
Stuart M. McGuigan(7)	33,364	*
Stephen G. Pearse(8)	23,717	*
Jean Bua	4,225	*
Invesco Ltd.(9)	5,990,559	14.36%
1555 Peachtree Street NE		
Atlanta, Georgia 30309		
Brown Capital Management, Inc.(10)	4,225,879	10.13%
1201 N. Calvert Street		
Baltimore, Maryland 21202		
Cadian Capital Management, LLC(11)	4,196,674	10.06%
461 Fifth Avenue		
24th Floor		
New York, New York 10017		
Blackrock, Inc.(12)	2,659,582	6.38%
40 East 52nd Street		
New York, New York 10022		
Sterling Capital Management LLC (13)	2,221,110	5.33%
Two Morrocroft Centre		
4064 Colony Road, Suite 300		
Charlotte, North Carolina 28211		
All executive officers and directors as a group (11 persons)(14)	3,578,086	8.56%

Edgar Filing: NETSCOUT SYSTEMS INC - Form DEF 14A

- (1) 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.

- (2) Includes 99,000 shares held by a charitable foundation of which Mr. Singhal and his spouse are trustees. Prior to the fiscal year ended March 31, 2010, the shares beneficially owned by Mr. Singhal's spouse were separately reported by his spouse. 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 816,676 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 876,503 shares held in trusts for the benefit of Mr. Singhal's children for which neither Mr. Singhal nor his spouse is a trustee, and 52,486 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 20,000 shares issuable upon the exercise of options exercisable within 60 days of the Record Date and 6,928 shares issuable upon the vesting of restricted stock units within 60 days of the Record Date.
- (4) Includes 20,000 shares issuable upon the exercise of options exercisable within 60 days of the Record Date and 9,238 shares issuable upon the vesting of restricted stock units within 60 days of the Record Date.
- (5) Includes 10,000 shares issuable upon the exercise of options exercisable within 60 days of the Record Date and 6,928 shares issuable upon the vesting of restricted stock units within 60 days of the Record Date. The shares deemed to be beneficially owned by Mr. Hadzima do not include an aggregate of 832,170 shares of common stock held by two trusts for the benefit of the children of Narendra Papat, a former founder, director and executive officer of NetScout, of which Mr. Hadzima is one of two trustees of each such trust but does not have any voting or dispositive power over such shares and which Mr. Hadzima disclaims beneficial ownership of such shares.
- (6) Includes 20,000 shares issuable upon the exercise of options exercisable within 60 days of the Record Date and 6,928 shares issuable upon the vesting of restricted stock units within 60 days of the Record Date.
- (7) Includes 1,350 shares issuable upon the exercise of options exercisable within 60 days of the Record Date and 5,774 shares issuable upon the vesting of restricted stock units within 60 days of the Record Date.
- (8) Includes 5,774 shares issuable upon the vesting of restricted stock units within 60 days of the Record Date.
- (9) Based solely on a Schedule 13G/A filed with the SEC on February 6, 2012. Includes 5,814,098 shares for which Invesco National Trust Company, or Invesco, has sole dispositive power; 170,495 shares for which Invesco Advisors, Inc. has sole dispositive power; and 5,966 shares for which Invesco PowerShares Capital Management has sole dispositive power. Includes 4,937,595 shares for which Invesco has sole power to vote; 5,966 shares for which Invesco Advisors, Inc. has sole power to vote; and 170,495 shares for which Invesco PowerShares Capital Management has sole power to vote. Invesco, Invesco Advisors, Inc., and Invesco PowerShares Capital Management are subsidiaries of Invesco Ltd.
- (10) Based solely on a Schedule 13G/A filed with the SEC on March 7, 2012. Includes 2,392,046 shares for which such reporting person has the sole power to vote.
- (11) Based solely on a Schedule 13G/A filed with the SEC on February 14, 2012. Eric Bannasch is a managing member of Cadian Capital Management, LLC. Therefore, Mr. Bannasch may be deemed to be the beneficial owner of the 4,196,674 shares directly owned by Cadian Capital Management, LLC.
- (12) Based solely on a Schedule 13G/A filed with the SEC on January 20, 2012. Includes 2,659,582 shares for which such reporting person has the sole power to vote.
- (13) Based solely on a Schedule 13G filed with the SEC on February 7, 2012.
- (14) Includes an aggregate of 71,350 shares issuable upon exercise of options exercisable within 60 days of the Record Date and an aggregate of 41,570 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 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, Egan, Hadzima, McGuigan, 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, 2013, or the 2013 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 14, 2013. Proposals must satisfy the procedures set forth in Rule 14a-8 under the Exchange Act.

If you wish to submit a proposal for the 2013 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 310 Littleton Road, Westford, Massachusetts 01886, attention: Secretary, and such proposal or nomination must be received no earlier than the close of business of April 23, 2013 and no later than the close of business of May 23, 2013 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 Director, Investor Relations

By facsimile: (978) 614-4004, Attn: [Chairman of the Board]/[Individual Director], c/o Director, 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 seven members of our Board attended the Annual Meeting of Stockholders held on September 7, 2011.

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 and took action by written consent one time during the fiscal year ended March 31, 2012. 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 2012. The Board has standing Audit, Compensation, Nominating and Corporate Governance, and Finance Committees.

Audit Committee

The Audit Committee, of which Messrs. DeMarines, 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 nine times during the fiscal year ended March 31, 2012. Mr. Mullarkey serves as the Chairman of the Audit Committee and qualifies as an audit committee financial expert 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.

Compensation Committee

The Compensation Committee, of which Messrs. Hadzima, McGuigan, 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, 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 12 times during the fiscal year ended March 31, 2012. 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.

Nominating and Corporate Governance Committee

The Nominating Committee, of which Messrs. DeMarines, Egan, Hadzima, and McGuigan 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, 2012. 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, 2012, the Finance Committee met four times.

Report of Audit Committee of the Board of Directors¹

The Audit Committee has reviewed and discussed the audited financial statements for the fiscal year ended March 31, 2012 with management of the Company. The Audit Committee has discussed with the independent registered public accounting firm the matters required to be discussed by Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1. AU section 380), as adopted by the Public Company Accounting Oversight Board (PCAOB) in Rule 3200T. The Audit Committee has also received the written disclosures and the letter from the independent registered public accounting firm required by applicable requirements of the PCAOB regarding the independent accountants' communications with the audit committee concerning independence, and has discussed with the independent registered public accounting firm the accounting firm's independence. Based on the foregoing, the Audit Committee has recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2012.

Respectfully submitted by the Audit Committee

Vincent J. Mullarkey, Chairman

Victor A. DeMarines

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. 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.

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 venue 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.

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

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 auditors, 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, 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 has also deliberated on enterprise risk management analysis.

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, 2012 to our Chief Executive Officer, Chief Financial Officer, and each of our three other most highly compensated executive officers during the fiscal year ended March 31, 2012. The executives listed below may be referred to as our Named Executive Officers.

Summary Compensation Table for Fiscal Year 2012

Name and Principal Position	Fiscal Year	Salary(\$)	Restricted Stock Unit Awards(3)(\$)	Non-Equity Incentive Plan Compensation(\$)	Change in Pension Value(4)(\$)	All Other Compensation(5)(\$)	Total(\$)
Anil K. Singhal Chairman, CEO and President	2012	325,000	611,450	360,000	232,000	46,688	1,575,138
	2011	325,000	982,502(6)	360,000	283,000	51,145	2,001,647(6)
	2010	325,000	0	133,000	283,000	45,318	786,318
Michael Szabados Chief Operating Officer	2012	275,000	436,464	156,000		12,437	879,901
	2011	275,000	704,130(6)	150,000		11,307	1,140,437(6)
	2010	275,000	0(7)	55,000		7,350	337,350(7)
David P. Sommers Executive Vice Chairman	2012	263,750	470,598	138,000		15,413	887,761
	2011	250,000	439,999(6)	120,000		13,614	823,613(6)
	2010	250,000	0(7)	44,000		7,350	301,350(7)
Jean Bua(1) Vice President, Chief Financial Officer and Treasurer	2012	200,000	174,586	78,980		7,350	460,916
	2011	109,102	449,998(6)	60,000		1,500	620,600(6)
	2010						
John W. Downing(2) Senior Vice President, Worldwide Sales Operations	2012	237,500	218,232	183,783		7,480	646,995
	2011	237,500	439,999(6)	160,756		6,769	845,024(6)
	2010	200,000	0(7)	196,475		7,497	403,972(7)

- (1) Ms. Bua joined the Company in September 2010, accordingly, no information is presented for fiscal year 2010.
- (2) 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, 2011 and 2010.
- (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, 2012. 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. In fiscal 2010, Mr. Singhal declined restricted stock unit grants due to his already large stock ownership as co-founder and his desire to reserve the equity incentives for other employees. In fiscal 2011 and 2012, Mr. Singhal accepted the recommendation of the Board and accepted the grant of equity listed.
- (4) Change in Pension Value for Mr. Singhal represents vesting in fiscal 2010, 2011 and 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.
- (5) 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.
- (6) In the 2011 Fiscal Year Summary Compensation Table, the Company incorrectly reflected the value for the restricted stock unit awards granted during such fiscal year. The value previously reflected in the prior year's table did not reflect the aggregate grant date fair value calculated in accordance with FASB ASC 718, disregarding adjustments for forfeitures. Instead, the prior year's table reflected the amount of compensation expense recognized by the Company during such fiscal year in accordance with generally accepted accounting principles. This has been corrected in this year's Summary Compensation Table. The aggregate increase in reported value in fiscal year 2011 due to this correction was \$828,903 for Mr. Singhal, \$355,344 for Mr. Szabados, \$204,148 for Mr. Sommers, \$403,021 for Ms. Bua and \$181,863 for Mr. Downing.
- (7) In the 2011 Fiscal Year Summary Compensation Table, the Company incorrectly reported compensation with respect to the 2010 fiscal year because it reflected the amount of compensation expense recognized by the Company during such fiscal year in accordance with generally accepted accounting principles with respect to restricted stock unit awards granted in prior fiscal years. No grants of restricted stock unit awards were made to any of the Named Executive Officers and therefore no amount should have been listed under the heading Restricted Stock Unit Awards for fiscal 2010. This has been corrected in this year's Summary Compensation Table. The aggregate decrease in reported total compensation in fiscal year 2010 due to this correction was \$249,028 for Mr. Szabados, \$184,565 for Mr. Sommers, and \$205,541 for Mr. Downing. No corrections were necessary for Mr. Singhal or Ms. Bua.

Option Awards. We did not make any option grants during the fiscal years ended March 31, 2010, 2011, or 2012 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 2012

Name and Principal Position	Fiscal Year	Car Usage(\$)	Financial and		Other(1)(\$)	Total(\$)
			Legal Counseling(\$)	401(K) Match(\$)		
Anil K. Singhal	2012	8,893	28,300	7,350	2,145	46,688
	2011	12,138	27,700	7,350	3,957	51,145
	2010	7,797	27,700	7,350	2,471	45,318
Michael Szabados(2)	2012			7,350	5,087	12,437
	2011			7,350	3,957	11,307
	2010			7,350		7,350
David P. Sommers (2)	2012			7,463	7,950	15,413
	2011			7,350	6,264	13,614
	2010			7,350		7,350
John W. Downing (3)	2012			7,480		7,480
	2011			6,679		6,679
	2010			7,497		7,497
Jean Bua (4)	2012			7,350		7,350
	2011			1,500		1,500
	2010					

- (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: patent program awards, the value of supplemental life insurance premiums, and spousal attendance at company sponsored events.
- (2) Totals for the fiscal year 2010 did not exceed the disclosure thresholds relative to Messrs. Szabados and Sommers; however the table does include the 401(k) contributions made on behalf of such persons by the Company.
- (3) Totals for fiscal years 2010, 2011 and 2012 did not exceed the disclosure thresholds relative to Mr. Downing; however the table does include the 401(k) contributions made on behalf of such persons by the Company.
- (4) Ms. Bua joined the company in September 2010, accordingly, no information is presented for fiscal year 2010. The total for fiscal years 2011 and 2012 did not exceed the disclosure threshold for Ms. Bua however the table does include the 401(k) contributions made on behalf of Ms. Bua by the Company during fiscal years 2012 and 2011.

Grants of Plan-Based Awards in Fiscal Year 2012

The following table sets forth grants of plan-based awards to each of our Named Executive Officers for the year ended March 31, 2012:

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 (\$)(1)	Threshold (#)	Target (#)	
Anil K. Singhal	9/7/11	RSU						611,450
	4/7/11	Cash		600,000			47,040	
Michael Szabados	9/7/11	RSU					33,600	436,464
	4/7/11	Cash		260,000				
David P. Sommers	9/7/11	RSU					20,160	261,878
	4/25/11	RSU					8,000	
	4/7/11	Cash		230,000				
John W. Downing	9/7/11	RSU					16,800	218,232
	4/7/11	Cash		262,500				
Jean Bua	9/7/11	RSU					13,440	174,586
	4/7/11	Cash		110,000				

- (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 rare.
- (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 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 rare.
- (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, 2012. 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, 2012, we did not make any other stock awards or other option awards and have therefore omitted those columns.

Outstanding Equity Awards at Fiscal Year 2012 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	9/7/11					47,040	406,101
	6/9/10					57,167	416,176
Michael Szabados	9/7/11					33,600	290,072
	6/8/10					40,812	779,509
David P. Sommers	9/7/11					20,160	385,056
	4/25/11					8,000	114,600
	6/8/10					25,503	487,107
Jean Bua	9/7/11					13,440	256,704
	9/15/10					18,575	354,783
John W. Downing	9/7/11					16,800	320,880
	6/8/10					25,503	487,107

Unearned Equity Incentive Plan Awards. We do not have any unearned equity incentive plan awards for any of our Named Executive Officers and have therefore omitted the corresponding columns.

Option Exercises and Stock Vested in Fiscal Year 2012 Table

The following table sets forth option exercises and vested stock awards for each of our Named Executive Officers for the fiscal year ended March 31, 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)
Anil K. Singhal			19,056	374,832
Michael Szabados			25,000	523,520
			13,603	275,325
David P. Sommers	25,000	422,500	17,500	366,275
			8,500	172,040
John W. Downing			17,500	366,275
			8,500	172,040
			2,500	67,550
Jean Bua			6,191	77,016

- (1) Value is calculated by multiplying the number of shares times the closing price of a share of our common stock on the exercise date and subtracting from that amount the exercise price multiplied by the number of shares acquired on such exercise date.
- (2) Value is calculated by multiplying the number of shares times the closing price of a share of our common stock on the vesting date.

Pension Benefits Table for Fiscal Year 2012

The following table sets forth the payments or other benefits at, following, or in connection with retirement of our Named Executive Officers

Name	Fiscal Year	Number of Years of Credited Service(#)	Present Value of Accumulated Benefit(\$)	Payments During Last Fiscal Year(\$)
Anil K. Singhal	2012	63 months	1,600,000	
	2011	51 months	1,368,000	
	2010	39 months	920,000	

In January of 2007, we entered into an agreement with Mr. Singhal that provides retirement benefits. Total future severance payments are projected at \$1,400,000. Mr. Singhal's retirement benefits also include a projected \$200,000 in payments for future health benefits. These benefits are an unfunded obligation.

Non-Qualified Deferred Compensation Table for Fiscal Year 2012

We do not provide a non-qualified defined contribution plan or other deferred compensation plan to any of our Named Executive Officers and have therefore omitted this table.

Director Compensation Table for Fiscal Year 2012

Name	Fees Earned		All Other Compensation\$(3)	Total(\$)
	Paid in Cash\$(1)	or Stock Awards\$(2)		
Victor A. DeMarines(4)	57,400	89,994	40,000	187,394
John R. Egan(5)	91,400	120,001	40,000	251,401
Joseph G. Hadzima, Jr.(6)	62,900	89,994	40,000	192,894
Stuart M. McGuigan(7)	49,000	75,004	40,000	164,004
Vincent J. Mullarkey(8)	68,400	89,994	40,000	198,394
Stephen G. Pearse(9)	51,500	75,004	40,000	166,504

- (1) Amounts represent the aggregate dollar amount of fiscal year 2012 fees earned or paid in cash for services as a director, including annual retainer fees and committee fees.
- (2) Amounts shown do not reflect compensation actually received by the listed directors but represent the aggregate full grant date fair value of restricted stock unit awards granted to our non-employee directors 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, 2012.
- (3) Amounts represent the cash payment received by the non-employee director to help offset the tax incurred by such non-employee director in connection with the vesting during the fiscal year ended March 31, 2012 of restricted stock units granted to such non-employee director during the fiscal year ended March 31, 2011.
- (4) As of March 31, 2012, Mr. DeMarines held outstanding stock options to purchase 20,000 shares and unvested RSUs covering 6,928 shares of our common stock.
- (5) As of March 31, 2012, Mr. Egan held outstanding stock options to purchase 20,000 shares and unvested RSUs covering 9,238 shares of our common stock.
- (6) As of March 31, 2012, Mr. Hadzima, Jr. held outstanding stock options to purchase 10,000 shares and unvested RSUs covering 6,928 shares of our common stock.
- (7) As of March 31, 2012, Mr. McGuigan held outstanding stock options to purchase 1,350 shares and unvested RSUs covering 5,774 shares of our common stock.
- (8) As of March 31, 2012, Mr. Mullarkey held outstanding stock options to purchase 20,000 shares and unvested RSUs covering 6,928 shares of our common stock.
- (9) As of March 31, 2012, Mr. Pearse did not hold any outstanding stock options and held unvested RSUs covering 5,774 shares of our common stock.

Effective as of September 2011, non-employee directors are compensated \$36,000 annually for their services and do not receive any additional compensation for any regular Board meeting attended. The lead non-employee director receives an additional annual retainer of \$30,000. Non-employee directors currently receive \$10,000 annually for serving on the Audit Committee, \$8,000 annually for serving on the Compensation Committee, and \$6,000 annually for serving on the Nominating Committee. In addition, directors who are chairpersons of a particular committee are also given additional annual compensation of \$20,000 for the Audit Committee, and \$10,000 for the Compensation Committee, and \$8,000 for the Nominating Committee and \$6,000 for the Finance Committee. Finance Committee members receive \$1,000 for each meeting attended in person and \$800 for each meeting attended via telephone. Non-employee directors are also reimbursed for their reasonable out-of-pocket expenses incurred in attending meetings of the Board or of any committee and for attendance at approved director education programs.

Non-employee directors are granted annually equity-based awards in the form of restricted stock units and related cash amounts upon vesting to defray the corresponding tax liability as follows:

Element	Role/Position		
	Lead Director	Chairperson	Other Directors
Total value (RSU Grant and Cash Offset)	\$ 200,000	\$ 150,000	\$ 125,000
RSU Grant	\$ 120,000	\$ 90,000	\$ 75,000
Cash Offset	\$ 80,000	\$ 60,000	\$ 50,000

These restricted stock unit awards vest 100% on the date of our annual meeting provided that during such year, such director attends at least 75%, collectively, of the meetings of the Board and any committee of the Board of which such director is a member. In the event that the foregoing attendance requirements are not met, then 100% of these restricted stock units will vest on the third anniversary of the date of grant. No other equity awards are given to our non-employee directors.

Stock Plans

1999 Stock Option and Incentive Plan. Our 1999 Stock Option and Incentive Plan, as amended, or the 1999 Stock Option Plan, was adopted by the Board in April 1999 and was approved by our stockholders in June 1999. The 1999 Stock Option Plan was replaced by our 2007 Plan effective September 12, 2007, and no further grants were made under the 1999 Stock Option Plan after such date. The 1999 Stock Option Plan provided for the grant of stock-based awards to our employees, officers and directors, consultants, or advisors. Under the 1999 Stock Option Plan, we could grant options that were intended to qualify as incentive stock options within the meaning of Section 422 of the Code, options not intended to qualify as incentive stock options, restricted stock, and other stock-based awards. Incentive stock options could be granted only to our employees. A total of 9,500,000 shares were reserved for issuance under the 1999 Stock Option Plan.

The 1999 Stock Option Plan is administered by our Compensation Committee. Payment of the exercise price of an award under the 1999 Stock Option Plan may be made in cash or, if approved by the Compensation Committee, shares of common stock, a combination of cash and stock, a promissory note or by any other method approved by the Compensation Committee. Unless otherwise permitted by the Compensation Committee, awards are not assignable or transferable except by will or the laws of descent and distribution and, during the participant's lifetime, may be exercised only by the participant.

The 1999 Stock Option Plan provides, subject to certain conditions, that upon an acquisition of the Company, 25% of each unvested portion of any awards will accelerate and become exercisable, with the remaining 75% of each unvested portion to continue vesting throughout the term of such awards.

The Compensation Committee may, in its sole discretion, amend, modify or terminate any award granted or made under the 1999 Stock Option Plan, so long as such amendment, modification or termination would not materially and adversely affect the participant. The Compensation Committee may also provide that any option shall become immediately exercisable, in full or in part, or that any restricted stock granted under the 1999 Stock Option Plan shall be free of some or all restrictions.

As of the Record Date, options to purchase an aggregate of 238,892 shares of common stock at an average exercise price of \$6.62 per share were outstanding under the 1999 Stock Option Plan, and we had granted restricted stock units representing 1,015,899 shares of common stock, with no shares outstanding.

Amended and Restated 2007 Equity Incentive Plan. Our 2007 Plan was initially adopted by the Board in September 2007 and was initially approved by our stockholders at the September 12, 2007 annual meeting of stockholders. This plan was amended and restated in 2011, to among other items, increase the number of shares available for issuance under the plan by 8,000,000 shares, and the amendment and restatement was approved by our stockholders at the September 7, 2011 annual meeting of stockholders. The 2007 Plan replaced the 1999 Stock Option Plan. The 2007 Plan allows us to grant restricted stock units, stock, stock options, and other equity interests to our and our subsidiaries' employees, officers, directors, consultants, and advisors. Under the 2007 Plan, we may grant options that are intended to qualify as incentive stock options within the meaning of Section 422 of the Code, options not intended to qualify as incentive stock options, restricted stock, and other stock-based awards. Incentive stock options may be granted only to our employees. The maximum number of shares as to which equity awards may be granted under the 2007 Plan as of the Record Date is 8,768,092 shares (subject to certain adjustments under the 2007 Plan), of which no more than 500,000 shares may be granted to any one person in one fiscal year.

The 2007 Plan is administered by our Compensation Committee. Subject to the provisions of the 2007 Plan, our Compensation Committee has the authority to select the persons to whom awards are granted and to determine the terms of each award, including the number of shares of common stock subject to the award.

Payment of the exercise price of an award may be made in cash or, if approved by the Compensation Committee, shares of common stock, a combination of cash and stock, a promissory note, or by any other method approved by the Compensation Committee. Unless otherwise permitted by the Compensation Committee, awards are not assignable or transferable except by will or the laws of descent and distribution and, during the participant's lifetime, may be exercised only by the participant.

The Compensation Committee may, in its sole discretion, amend, modify or terminate any award granted or made under the 2007 Plan, so long as such amendment, modification or termination would not materially and adversely affect the participant. The Compensation Committee may also provide that any option shall become immediately exercisable, in full or in part, or that any restricted stock granted under the 2007 Plan shall be free of some or all restrictions.

As of the Record Date, we had granted restricted stock units representing 4,302,105 shares of common stock, with 1,530,104 shares outstanding.

2011 Employee Stock Purchase Plan. The 2011 Employee Stock Purchase Plan, or the 2011 Purchase Plan was adopted by the Board in June 2011 and was approved by our stockholders at the September 12, 2007 annual meeting of stockholders. A total of 2,500,000 shares of common stock are reserved for issuance under the 2011 Purchase Plan. The 2011 Purchase Plan grants eligible employees the opportunity to purchase our common stock through payroll deductions.

Under the 2011 Purchase Plan, eligible enrolled employees may, during the offering period, purchase shares of common stock through payroll deductions, not to exceed 20% of said employees' compensation during the offering period. The purchase price per share during an offering period is determined by the Board at the beginning of the offering period, but may not be less than 85% of the lesser of the fair market value per share of our common stock on that purchase date or the fair market value per share of our common stock on the first day of the offering period. However, no employee is eligible to participate in the 2011 Purchase Plan if, immediately after the grant of purchase rights, the employee would own, directly or indirectly, stock possessing 5% or more of the total combined voting power or value of all classes of our stock, including any stock which such employee may purchase under all outstanding purchase rights and options. In addition, no employee may purchase more than \$25,000 worth of our common stock, valued at the time each purchase right is granted, for each calendar year during which those purchase rights are outstanding.

The Board administers the plan and retains the power to construe and interpret both the 2011 Purchase Plan and the purchase rights granted thereunder, including eligibility to participate and the particular provisions of each offering of rights. The Board, in its sole discretion, has the power to delegate administration of the 2011 Purchase Plan to a committee composed of one or more members of the Board.

As of the Record Date, 2,500,000 shares remain available for purchase under the 2011 Purchase Plan.

The following table sets forth securities authorized for issuance under our stock option plans as of fiscal year ended March 31, 2012:

Equity Compensation Plan Information

<i>Plan category</i>	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	1,996,217	\$ 6.63	8,598,751
Equity compensation plans not approved by security holders			
Total	1,996,217	\$ 6.63	8,598,751

Stock Ownership Policy

In 2010, the Compensation Committee approved a Stock Ownership Policy for certain of the Company's executive officers and directors. The Stock Ownership Policy states that within four years of the date the policy became effective, or within four years after becoming an executive officer or director, the executive officers and directors will be subject the following stock ownership requirements:

Title	Ownership Guideline(1)
Chief Executive Officer	4x annual base salary
Chief Operating Officer and Executive Vice Chairman	3x annual base salary
Section 16 Officers who are Senior Vice Presidents	2x annual base salary
Directors	3x annual board retainer

(1) The ownership guideline for each participant will be converted into a number of shares on the first day of each fiscal year based on the average closing price of a share of NetScout stock for the previous fiscal year.

The Compensation Committee is responsible for monitoring compliance with the guidelines. As of the end of fiscal 2012, each officer and director had met the requirements of the Stock Ownership Policy. Shares that count toward the ownership target include all shares directly or beneficially owned by the director or executive officer, unvested restricted stock units granted under Company's plans (restricted stock units will be applied toward the ownership requirements based on the value of restricted stock units after taking into account any required share withholding); and shares purchased on the open market.

401(k) Plan

We maintain a 401(k) plan qualified under Section 401 of the Code. All of our employees who are at least 18 years of age and work at least 20 hours per week are eligible to participate in the 401(k) plan. Under the 401(k) plan, a participant may contribute a maximum of 80% of his or her pre-tax salary, commissions and bonuses through payroll deductions, up to the statutorily prescribed annual limit, which was \$16,500 (or \$22,000 for individuals at least 50 years of age) in calendar year 2011, to the 401(k) plan. At the discretion of our Board, we may make matching contributions to the 401(k) plan. During the plan year ended December 31, 2011, we matched 50% of employee contributions up to 6% of compensation. Employer contributions vest over four years at a rate of 25% per year of service. In addition, at the discretion of our Board, we may make profit-sharing contributions to the 401(k) plan for all eligible employees.

Employment and Other Agreements

Mr. Singhal assumed the role of Chairman of our Board, effective January 19, 2007. In conjunction with his additional responsibilities, we entered into a new employment agreement with Mr. Singhal, which provides that he will receive an annual base salary of at least \$300,000. The employment agreement provides for a three-year term commencing January 19, 2007 with automatic one-year renewals. During the term of this agreement, Mr. Singhal will also be eligible to receive an annual bonus based on Company performance and individual objectives. The employment agreement is terminable at will by either party and provides that if we elect not to renew the agreement for any reason, or if Mr. Singhal's employment is terminated by us without due cause as defined in the agreement, by Mr. Singhal at any time following the consummation of a sale of the Company, or upon the death or disability of Mr. Singhal, Mr. Singhal, or his estate, is entitled to receive in a lump sum, a payment equal to the net present value of \$16,000 per month for seven years. If Mr. Singhal terminates his employment with us for any reason prior to the consummation of a sale of the Company, he is entitled to such lump sum payment for the period for which his severance benefits have vested (not to exceed seven years). Mr. Singhal will also receive continued health and dental benefits during such period. Mr. Singhal's employment agreement was amended in May 2012 to address technical requirements of Section 409A of the Internal Revenue Code of 1986, as amended.

We also entered into amended and restated severance agreements in May 2012 after the end of our fiscal year ended March 31, 2012 with our Named Executive Officers other than Mr. Singhal which are described under the heading "Post Termination Compensation" in Compensation Discussion and Analysis below.

Each of these agreements was approved by a majority of our Board and by a majority of the disinterested members of our Board. All future transactions, if any, with our executive officers, directors, and affiliates will be approved in accordance with our related party transaction policy discussed below under "Transactions with Related Persons".

Potential Payments Upon Termination or Change of Control

The table below sets forth the estimated amount of payments and other benefits each Named Executive Officer would be entitled to receive upon the occurrence of the indicated event, assuming that the event occurred on March 31, 2012. The information is provided relative to the Named Executive Officer's termination or change of control arrangements as of the Record Date and assumes such arrangements were actually in effect as of March 31, 2012. The values relating to vesting of stock options and restricted stock unit awards are based upon a per share fair market value of our common stock of \$20.32 the closing price reported on the NASDAQ Global Market on March 30, 2012, the last trading day of the year ended March 31, 2012. Actual payments made at any future date will vary based on various factors including, salary and bonus levels, the vesting schedules of the various equity-based awards, and the price of our common stock at the time of termination or change of control. For purposes of the payments associated with a change of control set forth in following table, we have assumed that the respective Named Executive Officer was terminated on March 31, 2012 and that such arrangements were actually in effect as of such date. Please refer to the heading "Post Termination Compensation" below in

Edgar Filing: NETSCOUT SYSTEMS INC - Form DEF 14A

Compensation Discussion and Analysis for a discussion of the particular terms of the applicable termination or change or control arrangements reflected in the table below.

Name	Termination Event*	Salary and Other Cash Payments (\$)	Vesting of Stock Options (\$)(3)	Vesting of RSUs (\$)(3)	Health and Dental Benefits (\$)
Anil K. Singhal	Termination without cause by the Company at any time, or termination by Mr. Singhal for any reason prior to or following a change of control	\$ 1,400,000			\$ 200,000
Michael Szabados	Termination without cause or resignation for good reason other than in the context of a change of control	\$ 275,000(2)			
	Termination without cause or resignation for good reason within one year following a change of control	\$ 535,000		\$ 447,541	
David P. Sommers	Termination without cause or resignation for good reason other than in the context of a change of control	\$ 265,000(2)			
	Termination without cause or resignation for good reason within one year following a change of control	\$ 495,000		\$ 316,084	
John W. Downing	Termination without cause or resignation for good reason other than in the context of a change of control	\$ 237,500(2)			
	Termination without cause or resignation for good reason within one year following a change of control	\$ 500,000		\$ 258,318	
Jean Bua(1)	Termination without cause or resignation for good reason within one year following a change of control	\$ 210,000			

- * All agreements include a clawback provision releasing the Company from its obligation to make additional payments and requiring the relevant executive to repay the Company for amounts paid in the event an investigation by Company reveals the executive engaged in fraudulent, dishonest, or criminal acts. The agreements provide for notice and an opportunity to cure.
- (1) In May 2012, the severance arrangements for Ms. Bua were amended to provide similar benefits to each of Mr. Szabados and Sommers. As a result, under the revised severance arrangements, upon a termination without cause or resignation for good reason other than in the context of a change of control, Ms. Bua's salary and other cash payment would be \$200,000, and upon a termination without cause or resignation for good reason within one year following a change of control, Ms. Bua's salary and other cash payments would be \$310,000 and the accelerated vesting of \$194,267 of RSUs.
 - (2) Payments to be made in equal installments over a 12 month period following termination. In the event of death within the 12 month period, payments will be accelerated and made to the deceased's estate within 30 days.
 - (3) Upon a termination without cause or a resignation for good reason within one year following a change in control, Messrs. Szabados, Sommers and Downing are entitled to acceleration of certain unvested equity-based awards. All of such unvested equity-based awards with respect to such Named Executive Officers are assumed to have accelerated as of March 30, 2012, the last trading day of the year ended March 31, 2012. The amount shown in this column represents the difference between the exercise price and the fair market value of the accelerated options assuming a \$20.34 fair market value of our stock on March 31, 2012.

Compensation Discussion and Analysis

Overview

The goal of NetScout'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 interests with those of stockholders and to motivate senior executives to increase our long-term growth and profitability while minimizing risks that could result from compensation decisions. As described below, NetScout, acting through our Chief Executive Officer and 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.

Compensation Objectives

NetScout uses its compensation program to achieve the following objectives:

To provide compensation opportunities that attract, motivate, and retain the best talent and highest caliber people possible to serve our customers and achieve our strategic objectives.

To align management's interests with our success, by linking compensation and performance, based on the attainment of both company goals and individual goals and by including long-term equity incentives.

To increase our revenue, to increase our profitability, and accordingly to increase stockholder value.

To foster an environment of teamwork and shared success among executives.

Compensation Policies

To achieve NetScout's compensation objectives, NetScout and the Compensation Committee have developed an executive compensation program comprising the following elements: cash compensation in the form of base salary and annual incentive cash bonuses, long-term incentive awards in the form of equity grants, and certain benefits. The Compensation Committee reviews the program over the course of several meetings each year to evaluate whether the program supports NetScout's long-term goals.

The Compensation Committee reviews the total mix of the elements of compensation, such as short-term versus long-term compensation and cash versus equity compensation, in light of NetScout's overall compensation goals. The Compensation Committee also takes into account NetScout's past financial performance and future goals, individual performance and experience, and overall compensation levels. With respect to specific financial goals, which consist of revenue and profits targets, the Compensation Committee places greater emphasis on achieving those goals, but the Compensation Committee does not assign specific weights, formulas, or rankings to the factors. The Committee instead makes a determination of each executive's compensation based on consideration of all of these factors as well as the progress made with respect to NetScout's long-term goals and strategies. In addition, the Compensation Committee uses the following principles to guide its decisions regarding executive compensation:

Pay for Performance

Total compensation should reflect a pay for performance philosophy in which a substantial portion of executive compensation should include short- and long-term incentive awards that are tied to the achievement of performance objectives of both NetScout and the individual.

Alignment with Stockholders' Interests

Total compensation levels should include a component that reflects NetScout's overall performance through the use of equity-based awards.

Internal Parity

To the extent practicable, and based on individual performance and position, base salaries and short- and long-term incentive targets for similarly-situated executives within NetScout should be comparable to avoid divisiveness and encourage teamwork, collaboration, and a cooperative working environment.

External Competitiveness

Executives' total compensation should be competitive with peer companies so that we can attract and retain high performing key executive talent. To achieve this goal within market ranges, our Compensation Committee, in consultation with our senior executives, periodically reviews the compensation practices of other companies in our peer group, as discussed in the "Third Party Data/Peer Group" section below.

Avoidance of Excessive Perquisites

Although we will consider certain perquisites that are common and appropriate for similarly-situated executives of public companies, as a general matter we intend to avoid the payment of excessive, unusual, or unnecessary perquisites to executives.

Elements of our Executive Compensation Program

A. Base salary

Although overall compensation levels for each of NetScout's executive officers, including the Chief Executive Officer, are generally set within the range of salaries that the Compensation Committee believes are paid to executive officers with comparable qualifications, experience, and responsibilities at similar companies, base salaries are generally set lower than those of executives at similar companies, consistent with the Company's compensation philosophy of pay for performance. The Compensation Committee, and the Board in the case of our Chief Executive Officer, exercises full discretion in setting base salary levels, subject to certain limits with respect to Mr. Singhal, whose base salary may not be reduced below \$300,000 without his consent under the terms of his employment agreement with NetScout. Salary decisions for NetScout's executive officers are generally made near the beginning of each fiscal year.

B. Short-term cash incentive

Short-term cash incentive goal and philosophy

Short-term incentive in the form of an annual cash bonus is intended to motivate executives to achieve both financial operating goals and the individual's annual performance goals which may include financial and non-financial objectives. The target amount for the annual bonus opportunity is established at the outset of the fiscal year, and, consistent with our pay for performance approach, is intended to be at or above the median percentage offered to similarly-situated executives in our large company peer group. Once the bonus pool has been established, as described further below, executive officer bonuses are then determined based on attainment of individual goals, contribution to the company-wide goals, and other criteria as may be determined by the Compensation Committee, such as teamwork, ethical behavior, and adherence to our corporate values and policies.

Short-term cash incentive (bonus) accrual process

Bonuses are paid annually shortly after the end of the fiscal year to which they relate. Bonus pool accruals are made quarterly during the fiscal year, depending on NetScout's financial performance. Our non-GAAP revenue and non-GAAP EPS targets are usually expressed in ranges, and performance is measured based on being above, below, or within the ranges specified. Specifically, if NetScout has met its quarterly non-GAAP revenue and non-GAAP earnings per share, or EPS, targets, which means that our performance has been within

the non-GAAP revenue and EPS ranges selected, the Company accrues funds with respect to that quarter, in its company-wide bonus pool. However, if NetScout's performance is below the bottom of the ranges selected, no bonus funds would be accrued in that quarter resulting in a lower than targeted bonus pool for the year. The total amount of the annual Company-wide bonus pool available after the end of each fiscal year is based on the sum of the bonus compensation accrued each quarter within such fiscal year. Given that our non-GAAP revenue and non-GAAP EPS targets are generally expressed in ranges and given that our accruals are not formulaic (for financial performance above the bottom of the ranges), our accrual can require subjective adjustments based on our performance after considering primarily the degree of achievement of targets as well as other factors such as seasonality and changes in business conditions.

As an example of how the Company accrues bonuses, if we did not meet the bottom of the range for our financial targets in the first quarter of our fiscal year but met the targets each of the following three quarters, no bonus amounts would accrue for the first quarter, bonus amounts would accrue for the next three quarters, and the resulting total available pool would be 75% of the eligible bonus amount, subject to discretionary adjustments as discussed. As a result, it is possible for an individual to meet his or her annual performance goals including those related to full year financial results but still not receive a full bonus because quarterly accruals were less than 100% of the quarterly bonus accrual target. In this way, each executive shares the objective of meeting financial performance targets.

GAAP vs. non-GAAP measures

As disclosed in NetScout's press releases regarding annual and quarterly earnings and other communications, NetScout provides financial information using methods in addition to those prescribed by generally accepted accounting principles (GAAP), such as non-GAAP revenue, income from operations, and net income and net income per diluted share. These non-GAAP disclosures were adjusted from amounts determined based on GAAP to exclude the effect of purchase accounting adjustments to acquired deferred revenue resulting from our acquisitions, eliminate the revenue impact of adopted accounting guidance, to remove share-based compensation expenses, certain business development and integration expenses, compensation for post combination services resulting from our acquisitions, the amortization of acquired intangible assets, restructuring charges, and loss on early extinguishment of debt, net of related income tax effects. Management regularly uses supplemental non-GAAP financial measures internally to understand, plan, manage, and evaluate its business and to make operating decisions. Throughout this Compensation Discussion and Analysis section, reference to revenue and EPS targets will be deemed to refer to non-GAAP measures.

Fiscal Year 2012 Bonus Accrual

For fiscal year 2012, the Board established bonus accruals that were expected to range from 50% to 100% of target each quarter, but could have equaled zero percent if the bottom of the range of the financial performance goals were not reached. In light of the then current economic outlook and the significant revenue growth required to achieve the 100% accrual level, the Board believed at the time that the bonus accruals at 100% were difficult, but not impossible, to achieve. However, NetScout's first quarter performance during fiscal year 2012 was affected by seasonality and the continuation of the economic downturn especially with regard to sales to financial services companies and the federal government. NetScout's fiscal year 2012 full year bonus accrual for all employees, including executives, was 70%, below the full bonus target, primarily because the Company did not meet its revenue and EPS targets in the first quarter of fiscal year 2012 and due to the Company exercising its ability to make discretionary adjustments in other quarters.

C. Long-term incentive

The Compensation Committee believes that NetScout's equity incentive program is an important element of our overall compensation program as it contributes to the goal of attracting and retaining highly qualified individuals who can contribute to our success and helps to align the interests of management and stockholders.

Toward that end, the Compensation Committee, which administers the 2007 Plan, has determined that grants, in the form of restricted stock units, should be concentrated, with high performing and high potential individuals receiving the bulk of the grants. In addition to an executive's past performance, NetScout's desire to retain an individual is of paramount importance in the determination of stock-based grants. The Committee also refers to internal guidelines in determining the equity grants to officers. In developing the guidelines, revised most recently in 2011, the Compensation Committee considered prior practice and its own assessment of reasonable grant amounts. The guidelines are considered as just one part of the mix of information used to determine equity awards. We believe that long-term awards also help manage risk by vesting a longer-term stake in the success of the Company. To further our long term incentive goals even more, the Compensation Committee approved in 2010 a Stock Ownership Policy for certain executive officers and directors, as described in this proxy statement under "Stock Ownership Policy."

D. Benefits/Perquisites

We seek to provide perquisites that are common and appropriate for similarly-situated executives of public companies, including health insurance and NetScout's 401(k) Plan. Executive officers are also eligible for life insurance policies that provide for three times cash compensation (salary and bonus) up to a \$1.5 million cap with evidence of insurability, which differs from the two times salary and bonus and \$500,000 cap available to non-sales employees and two times salary and commission and \$750,000 cap available to sales employees. Mr. Singhal is entitled to other benefits discussed below.

Executive Compensation Review and Process

General

The Compensation Committee meets at least four times annually to coincide with regularly scheduled Board meetings and usually holds several additional meetings during the year. The Compensation Committee met 12 times during the fiscal year ended March 31, 2012. Each year, the Committee reviews compensation objectives and practices in connection with the annual review and approval of executive officer compensation. Our Chief Executive Officer often participates in discussions and deliberations regarding the compensation of our executive officers. However, the Compensation Committee exercises complete discretion and has ultimate authority with respect to executive compensation matters, except in the case of the compensation of the Chief Executive Officer, which is approved by the full Board after receiving a recommendation from the Compensation Committee. The Chief Executive Officer assists the Compensation Committee in providing recommendations with respect to executives other than the Chief Executive Officer. The other executives do not play a role in determining their compensation, other than in discussing their performance with the Chief Executive Officer and the Chief Operating Officer, who makes his own recommendations to the Chief Executive Officer for the Chief Executive Officer's consideration. The Chief Operating Officer has no role in determining his own compensation, other than providing the Chief Executive Officer with an assessment of his own performance. Our Chief Executive Officer is not present and does not participate in discussions or deliberations regarding his own compensation, performance, or objectives, whether at Compensation Committee or Board meetings.

Compensation Decision Processes

Evaluation of executive performance

The Compensation Committee reviews annually, over a series of meetings, the performance and compensation of each of our executive officers, including the Chief Executive Officer. The Compensation Committee takes into account NetScout's financial performance and future expectations, individual performance and experience, and overall compensation levels. The Compensation Committee has not typically assigned specific weights, formulas, or rankings to these factors, but instead makes a determination based on consideration of all of these factors as well as the progress made with respect to NetScout's long-term goals and strategies, except that the Compensation Committee does place greater emphasis on the achievement of the Company's overall corporate financial targets in making its determinations and considers those financial targets as shared objectives for all executives. For fiscal year 2013, individual objectives will be weighted, as described below.

Although overall compensation levels for each of NetScout's executive officers, including the Chief Executive Officer, are generally set within the range of salaries that the Compensation Committee believes are paid to executive officers with comparable qualifications, experience, and responsibilities at similar companies, base salaries are set lower than those of executives at similar companies. Consistent with the Company's compensation philosophy of pay for performance, executive officers' total compensation mix provides for a significant bonus incentive component which, upon achievement, makes total compensation comparable to compensation paid to executives at similar companies. Typically, base salary levels for each of NetScout's executive officers, other than the Chief Executive Officer, are determined after considering the evaluations and recommendations made by the Chief Executive Officer, who applies his own judgment in making compensation recommendations after reviewing our performance, the performance of the executive officer against corporate and individual goals, the executive's career with the Company, the amounts of current and long-term compensation, and special circumstances such as strategic alliances or acquisitions.

With respect to short term cash incentive compensation, generally the corporate level performance goals consist of Board-approved non-GAAP revenue and non-GAAP EPS targets. The Chief Executive Officer and the other named executive officers are eligible for bonuses only after NetScout meets or exceeds company-wide revenue and EPS targets, except for Mr. Downing whose short term cash incentive compensation consists of both commissions based on sales and a bonus component. If NetScout meets or exceeds the targets, the Chief Executive Officer and other named executive officers are eligible for bonuses, but the amounts are then based on attainment of individual goals, contribution to the company-wide goals, and other criteria that may be established by the Compensation Committee, such as teamwork, ethical behavior and adherence to our corporate values and policies. For fiscal year 2013, as has been past practice, each executive officer shares revenue and EPS targets as a common management objective, via the quarterly bonus accrual mechanism described previously.

Establishing performance goals for the next fiscal year

The corporate level performance goals and the individual performance goals are set at the beginning of each fiscal year. Discussions of next year's goals begin during the fourth quarter of the current fiscal year, in conjunction with management's development of a proposed strategic and operating plans and budget for the next fiscal year. The Compensation Committee endeavors to establish goals for executive officers consistent with NetScout's strategic plan, financial goals, and operating budget for the year. Accordingly, the Compensation Committee generally has the expectation that we will achieve our corporate level goals for the year. In addition, the Chief Executive Officer works with each executive officer to establish individual annual performance goals and then presents proposed goals for each executive officer to the Compensation Committee for review and evaluation. The Compensation Committee or the Board provides advice and comments on the individual executive goals and approves the goals with any requested changes. Individual executive performance goals are not established or scored in as rigid a manner as the overall corporate level performance goals. The Compensation Committee believes that the Chief Executive Officer is in the best position to evaluate the day to day performance of the executives who report to him and to the Chief Operating Officer, and the Compensation Committee believes that deference to the Chief Executive Officer's evaluation of such executives and his related recommendations is generally appropriate.

When establishing stock-based grant levels for executive officers and other employees, the Compensation Committee considers the existing levels of stock ownership, previous equity grants, vesting schedules of previously granted restricted stock units, options and other stock-based awards, and the current stock price. The Compensation Committee annually reviews, with the use of tally sheets, stock-based grants to executive officers and considers the level of outstanding awards as a factor in its determinations with respect to overall compensation for each of the executive officers and the effectiveness of additional awards or other forms of compensation in achieving NetScout's compensation goals.

NetScout intends to make equity awards to executive officers at their appointment and then annually, depending upon performance. During the fiscal year ended March 31, 2012 the Committee approved equity grants to the named executive officers in an amount equal to 139,040 shares in the aggregate, as further discussed below.

Performance Goal Achievement for Fiscal Year 2012

Corporate level achievement

Corporate level goals generally consist of revenue and EPS targets, on a non-GAAP basis, as approved by the Board of Directors. Such information is extremely confidential and disclosure of the same could cause competitive harm to NetScout. Please refer to the previous discussion under Fiscal Year 2012 Bonus Accrual.

Individual level achievement

The individual goals for the fiscal year ended March 31, 2012 were adopted at the beginning of the 2012 fiscal year and are set forth below with respect to each applicable officer. To the extent individual goals include revenue, EPS, bookings, or other financial or specific technical product information, any numerical data has been omitted given their confidential nature.

The following lists the individual performance goals, along with the conclusions reached by the Compensation Committee and the Board, in the case of the Chief Executive Officers, regarding achievement of fiscal year 2012 individual goals:

Executive Officer	Goal	Achievement
Anil K. Singhal, President, Chief Executive Officer, and	Develop and evangelize internally a multi-year technology vision. Present plan to R&D management by May 2011.	Achieved.
Chairman of the Board	Drive NetScout's enterprise market vision and strategy. Present plan to Board by July 2011.	Achieved. Board presentation delivered Sept. 2011 as agreed.
	Inspire and challenge NetScout's leadership and employees to loyalty and top performance.	Achieved and ongoing.
Michael Szabados, Chief	Deliver specified major product releases on time.	R&D schedules delayed a quarter due to substantial scope increase across all product lines.
Operating Officer	Achieve thought leadership and recognition with leading industry analysts in the enterprise and SP markets.	Achieved.
	Implement NetScout's next generation CRM system and deploy it in time for effective use in FY 13.	On target.
	Implement Agile method product life cycle for at least 75% of R&D projects in FY12.	Achieved.
	Identify and implement organizational and management changes required for our next stage of growth.	Achieved.

Executive Officer	Goal	Achievement
David P. Sommers, Executive Vice Chairman (previously Senior Vice President Finance and Chief Financial Officer)	Achieve undisclosed percentage of non-GAAP year over year EPS growth.	Achieved expense targets but did not achieve EPS growth targets due to bookings shortfall and backlog growth.
	Research and propose undisclosed growth-driving acquisition opportunities.	Achieved.
	Ensure successful CFO role transition as approved by Board	Achieved.
	Transition to a strategic leadership role with the mission of scaling the Company to undisclosed revenue class.	Achieved.
John W. Downing, Senior Vice President Worldwide Sales	Achieve a specified level of FY12 bookings while meeting undisclosed commission expense target.	Made progress but bookings level not achieved as measured against original plan. Achieved commission expense target.
	Increase new account creation rate to reach specified number of accounts per quarter, comprised of a certain number of selected targets, by fiscal fourth quarter.	Achieved some growth for year, but did not meet objectives.
	Achieve specified percentage increase in selected vertical bookings for FY12.	Achieved.
	Instill a sales enablement culture in the finance team through proactive issue management and resolution.	Substantial progress made.
Jean Bua, Vice President, Chief Financial Officer, Chief Accounting Officer, and Treasurer	Achieve operational excellence in finance organization and workflow including rationalization of staffing.	Achieved.
	Improve management reporting on forecasts, bookings, cost and expense.	Achieved.
	Gain the support of the COO, CEO and Board for a transition to the CFO role by year end or earlier.	Achieved.

Ms. Bua became Vice President, Chief Financial Officer, Chief Accounting Officer, and Treasurer as of December 5, 2011. She had joined the Company as of September 15, 2010 as Vice President, Finance, and Chief Accounting Officer. As of December 5, 2011, in accordance with the previously adopted plan to transition the CFO role, Mr. Sommers became the Company's Executive Vice Chairman, reporting to the Company's President, Chief Executive Officer, and Chairman.

For those goals that are capable of direct measurement the Compensation Committee considers the percentage of goal achievement taking into account developments during the year, including both internal and external factors affecting the Company. For goals that are qualitative in nature or are not as susceptible to financial or numerical measurement, the Compensation Committee relies primarily on its judgment, knowledge of the business, and information obtained through interactions with management throughout the year. The Compensation Committee views the compensation determination process as an important opportunity to engage in strategic discussions with the Chief Executive Officer on the appropriate factors and criteria that should be focused on for the attainment of long-term stockholder value.

Third Party Data/Peer Group

NetScout uses third party executive pay survey databases and peer group data to assist in compensation decisions. NetScout and the Compensation Committee believe the data are helpful but consider such information as part of a range of factors in determining appropriate compensation levels. Generally, the data are used to confirm that NetScout executives are paid competitively. The comparison is intended to inform the Compensation Committee's discussion, but it is not intended to determine compensation in any formulaic way. The Compensation Committee looks to the peer data to ensure that NetScout is paying compensation that is appropriate to accomplish its objectives. The Compensation Committee concluded that third party survey data confirmed that overall compensation for NetScout's executive officers at full plan achievement is generally competitive with that paid to executive officers at similar companies.

The set of publicly traded peer companies is determined and periodically reevaluated based on revenue, net income, number of employees, and similar industry/related technology. These companies naturally fall into two groups. Thus, for comparison purposes we have reviewed compensation data for a group of small companies and for a group of larger companies, because the Company competes with both groups for employees and because there were few direct comparison companies at the Company's current size. Those peer companies include the following, divided into companies that are smaller than NetScout based on revenue, net income, and number of employees and companies that are larger than NetScout based on the same criteria:

Smaller Companies

Acme Packet, Inc.
Ixia
OPNET Technologies, Inc.
Solar Winds, Inc.

Larger Companies

Blue Coat Systems, Inc.
Quest Software, Inc.
Red Hat, Inc.
Riverbed Technology, Inc.
Tekelec
Tibco Software, Inc.

Recent Compensation Decisions With Respect To Our Named Executive Officers

In April 2012, the Compensation Committee and the Board, with respect to Mr. Singhal and based on the recommendations of the Compensation Committee, approved fiscal year 2012 bonuses, fiscal year 2013 base salary rates, and fiscal year 2013 bonus targets for each of our named executive officers, including Mr. Singhal.

Chief Executive Officer Compensation

Base Salary. Due to our fiscal 2012 financial performance and the correlation between short-term incentive payments and the Company's performance, Mr. Singhal requested that he not receive, and he was not granted, a base salary increase for the fiscal year ending March 31, 2013. This is the fourth consecutive year in which the Compensation Committee, Board, and Mr. Singhal have reviewed together and determined, for the reasons stated and because of his significant share ownership position, that Mr. Singhal's base compensation would not increase. Mr. Singhal's current base salary is \$325,000 per year. Mr. Singhal entered into an employment agreement dated as of January 3, 2007, as amended, with a three-year term that automatically renews each year unless either party elects to terminate the agreement. The agreement provides for an annual base salary of at least \$300,000, which base may be increased as determined by the Compensation Committee and approved by the Board and an annual bonus determined by the Compensation Committee in consultation with Mr. Singhal and also subject to Board approval.

Fiscal 2012 Bonus Amount. Despite navigating the economic downturn successfully over the course of the year, improving financial performance, and making important advances in key strategic areas of its business, NetScout did not meet its first quarter revenue or EPS target set at the beginning of the year, leading to a full year bonus accrual of 70% as described in Fiscal Year 2012 Bonus Accrual above.

The Compensation Committee considered the amount of incentive compensation that should be paid to the Chief Executive Officer based on consideration of a number of factors that it deemed relevant to Mr. Singhal's performance in fiscal year 2012. In determining Mr. Singhal's bonus, the Compensation Committee considered NetScout's financial performance and Mr. Singhal's non-financial individual goal achievement, experience, and responsibility. The Committee considered the level of the company-wide bonus accrual, in light of the positive results achieved in several areas including year over year non-GAAP revenue increase of 7%, non-GAAP net income increase of 5%, bookings increase of 17% for the year, and the closing of three acquisitions, among other achievements over the year.

Following review of NetScout's overall performance and Mr. Singhal's attainment of individual objectives, the Committee recommended to the Board that Mr. Singhal be granted a bonus at 60% of his full year target bonus. Mr. Singhal's fiscal year 2012 bonus was \$360,000, an amount which represented 60% of his \$600,000 bonus target and the same bonus as the prior fiscal year. The 60% of target bonus is below the Company-wide 70% full year bonus pool accrual because of Mr. Singhal's recommendation as to his performance and consistent with the pay for performance philosophy in which below target financial performance receives below target compensation, despite all of the other achievements and success during the year.

Fiscal 2013 Bonus Amount. As noted, NetScout typically puts greater weight toward executives' short term cash incentive compensation compared to base salary. In April 2012 the Board approved, based on the recommendation of the Compensation Committee, a fiscal year 2013 target bonus for Mr. Singhal of \$600,000. This bonus opportunity remains unchanged from the bonus opportunity during the three previous fiscal years. In order to be awarded a bonus for fiscal year 2013 NetScout would have to achieve the non-GAAP revenue and EPS targets set by the Board, the terms of which are not disclosed because they represent confidential information, the disclosure of which would result in harm to our ability to compete. The bonus accruals are expected to range from 50% to 100% of target each quarter, but could be zero if the bottom of the range of the financial performance goals are not reached, and, conversely, could exceed 100% if performance warranted it. If NetScout meets or exceeds the company-wide performance goals, the Chief Executive Officer bonus will be based upon the attainment of the following individual goals, with assigned weights:

Inspire and challenge the Company's leadership and employees to loyalty and top performance (50%)

Develop and implement a multiyear company strategy to drive a certain percentage of annual non-GAAP revenue growth over FY13-16 (50%).

Fiscal Years 2012 and 2013 Equity Awards. NetScout intends to make equity awards to executive officers at their appointment and then every year, depending upon performance. During the fiscal year ended March 31, 2012 the Committee approved equity grants to the named executive officers, including the Chief Executive Officer, in an amount equal to 139,040 shares in the aggregate, with a grant to Mr. Singhal of 47,040 restricted stock units, or RSUs. All grants are made pursuant to the 2007 Plan and vest as follows: 25% on the first anniversary of the date of grant with the balance vesting in equal quarterly increments over the following three years. The Committee has not, to date, approved awards to the executive officers for fiscal year 2013.

The fiscal year 2012 equity awards to the executive officers including the Chief Executive Officer were determined based on numerous factors including existing levels of stock ownership, previous equity grants, vesting schedules, current stock price, place in overall compensation mix, and effectiveness of different elements of compensation in achieving the Company's compensation goals. Allocations were limited by the total annual equity pool available for award to all employees including executive officers, pursuant to a Board-approved limit set as a percentage of shares outstanding the precise number of which is considered confidential. The Committee also referred to internal guidelines for equity grants to officers. In developing the guidelines, revised most

recently in 2011, the Compensation Committee considered prior practice and its own assessment of reasonable grant amounts, but it also reviewed peer company practices and a commercially available 2010 survey of high technology companies (Radford). The guidelines are considered as just one part of the mix of information used to determine equity awards.

Based on the factors described above, the fiscal year 2012 equity awards for each named executive officer, including Mr. Singhal, represented a percentage of the eligible equity amount provided by the guidelines (approximately the same percentage was used for each named executive officer) and resulted in the total set out in the Grants of Plan-Based Awards in Fiscal Year 2012 table above, except that Mr. Sommers was granted an additional 8,000 RSUs on April 25, 2011 in connection with his changed role to Executive Vice Chairman.

Other Named Executive Officers Compensation

Fiscal Year 2013 Base Salary. Due to our fiscal 2012 financial performance, Messrs. Szabados, Sommers, and Downing were not granted a base salary increase for the fiscal year ending March 31, 2013. Effective April 24, 2012, the Compensation Committee approved an increase in Ms. Bua's base salary from \$200,000 to \$240,000 in light of her becoming Chief Financial Officer. The base salary information for all officers can be found in the Summary Compensation Table.

Fiscal 2012 Bonus Amount. In determining the bonus amounts for executive officers, in addition to the considerations set out in Fiscal Year 2012 Bonus Accrual above, the Compensation Committee considered NetScout's financial performance (except for Ms. Bua who became Chief Financial Officer late in the fiscal year) and each officer's non-financial individual goal achievement, experience, and responsibility. The Committee recognized the difficult first quarter and also the positive results achieved in several areas including year over year non-GAAP revenue increase of 7%, non-GAAP net income increase of 5%, bookings increase of 17% for the year, and the closing of three acquisitions, among other achievements over the year.

Following review of NetScout's overall performance and the extent of each officer's attainment of individual objectives, the Compensation Committee initially granted bonuses to Mr. Szabados at 60% of full year target, Mr. Sommers at 60% of full year target, Mr. Downing at 55% of full year target, and Ms. Bua at 71% of full year target. However, shortly after the allocation of the company-wide bonus pool, and after consideration of the factors described above, the Committee decided to increase Mr. Szabados' bonus by \$15,000, raising his total bonus to 66% of full year target, and Mr. Downing's bonus by \$10,000, raising his total bonus to 62% of full year target. The total bonus amounts for all Named Executive Officers are provided in the Summary Compensation Table. The Committee made bonus awards within a relatively narrow range but gave additional consideration in the cases of Messrs. Szabados and Downing to their efforts in recovering from the first quarter shortfalls. In the case of Mr. Downing the Committee also gave consideration to the commission component of his compensation. Ms. Bua's percentage was higher as the Committee gave consideration to her becoming CFO more than halfway through the year. The Compensation Committee believed this allocation was appropriate given the roughly comparable performances by such executive officers, with some consideration to efforts around the post-first quarter recovery but mainly within a narrow range to avoid divisiveness and encourage teamwork, collaboration, and a cooperative working environment. These percentages were also, on average, less than the average percentage bonus awarded to non-executive employees.

In the past, Mr. Downing's compensation, compared to other named executive officers' compensation, was weighted more heavily toward incentive cash compensation based on achievement of sales targets, with a smaller bonus component tied to the Company's performance and his individual performance than was applicable to the other executive officers. For fiscal year 2012, as it had done the year before, the Compensation Committee adjusted the balance between Mr. Downing's commission-based incentive and corporate bonus incentive to put even more weight on the corporate bonus incentive to emphasize the corporate goals that Mr. Downing was expected to achieve. Mr. Downing's sales targets for fiscal year 2012 represent confidential information, the disclosure of which would result in harm to our ability to compete. For fiscal year 2012, with respect to the corporate bonus incentive, based on review of his individual performance, the Compensation Committee granted a bonus to Mr. Downing at 62% of target.

Fiscal 2013 Bonus Amount. NetScout puts great weight toward executives' short term cash incentive compensation compared to base salary. In April 2012, the Compensation Committee approved fiscal year 2013 target bonuses for all of the executive officers except Ms. Bua at the same level as the prior year, with Mr. Szabados at \$260,000 and Mr. Sommers at \$230,000. In April 2012 the Compensation Committee also approved an unchanged bonus target for Mr. Downing of \$143,750 based on corporate and individual goals and a \$118,750 commission incentive, again overweighting his incentive toward corporate and individual goals compared to his sales commission incentive. Due to her becoming Chief Financial Officer, Ms. Bua received an increased fiscal year 2013 bonus target of \$160,000 as approved by the Committee. To be awarded a bonus for fiscal year 2013, NetScout's named executive officers would have to achieve the non-GAAP revenue and non-GAAP EPS goals set by the Board, the terms of which are not disclosed because they represent confidential information, the disclosure of which would result in harm to our ability to compete. The bonus accruals are expected to range from 50% to 100% of target each quarter, but could be zero if the bottom of the range of the financial performance metrics are not reached. Each executive explicitly shares the non-GAAP revenue and EPS objectives. If NetScout meets or exceeds the company-wide performance targets, Messrs. Szabados, Sommers, and Downing and Ms. Bua's bonus amounts will be based upon the attainment of the individual goals discussed below, with weights as noted in parentheses.

Michael Szabados, Chief Operating Officer

Develop a product plan and strategy by the end of first quarter, fiscal year 2013 to support the Company's growth objectives in two specified segments (25%);

Develop customer messaging that leverages our core Unified Service Delivery Manager positioning and deliver it to the field by a specified date (25%);

Implement organizational succession plan for executive and director level positions by end of third quarter to dovetail with annual performance review cycle for fiscal year 2013 (25%);

Deploy our next generation CRM systems by June 2012 and ensure our sales and marketing teams are fully utilizing the new capabilities by second quarter fiscal year 2013 (25%).

David P. Sommers, Executive Vice Chairman

Identify, propose, and consummate a specified number of growth-driving acquisition opportunities that meet certain financial criteria in fiscal year 2013 (15%);

Develop/evolve partnership opportunities that materially contribute to our three year business plan (assessed by its contribution to our three year strategic plan) (15%);

Complete and drive to Board acceptance NetScout's three year strategic plan (through FY16) (50%);

Transition responsibility for Investor Relations function by end of fiscal year 2013 (20%).

John W. Downing, Senior Vice President Worldwide Sales

Achieve key undisclosed bookings targets during fiscal year 2013, with specified dollar and percentage targets, growth target in specified vertical market, and specified renewal rates (60%);

Edgar Filing: NETSCOUT SYSTEMS INC - Form DEF 14A

Implement organizational and structural changes necessary in a specified region in first quarter to resume sales growth in fiscal year 2013 (20%);

Meet sales expense targets as set forth in the fiscal year 2013 plan (20%).

Jean Bua, Vice President, Chief Financial Officer and Treasurer

Demonstrate performance as CFO, in the first full year in this role and associated responsibilities (25%);

Assume responsibility for Investor Relations function by end of fiscal year 2013 (25%);

Determine optimal capital structure and propose to Board by the fiscal third quarter Board meeting (25%); and

Guide NetScout to improved efficiency and productivity in its general and administrative functions. Implement cost awareness and resource efficiency by end of first quarter. Propose alternatives during second quarter, design and forecast efficiencies for fiscal year 2014 planning cycle (25%).

Fiscal 2012 Equity Award. In September 2011, the Compensation Committee approved grants to Ms. Bua and Messrs. Szabados, Sommers, and Downing of RSUs equal to following shares of our common stock pursuant to our 2007 Plan:

Name	RSU Grant (shares)
Michael Szabados	33,600
David P. Sommers	28,160
John W. Downing	16,800
Jean Bua	13,440

Note that Mr. Sommers' shares listed above include an additional grant of 8,000 RSUs on April 25, 2011 in connection with his becoming Executive Vice Chair. For all of the above grants, the RSUs vest as follows: 25% vests on the first anniversary of the date of grant, and the balance vest in equal quarterly installments over the next three years. The Compensation Committee believed that the foregoing annual grants were appropriate in furtherance of our philosophy that total executive compensation should be more heavily weighted toward long-term incentive compensation to ensure that the interests of our executives are aligned with those of our stockholders and that the additional grant to Mr. Sommers was warranted in light of his changed role. In addition, the Compensation Committee felt it was important to ensure that Ms. Bua and Messrs. Szabados, Sommers and Downing have a significant ongoing equity stake in NetScout so that each has appropriate incentives and has long-term interests aligned with those of our stockholders.

Other Benefits

NetScout also maintains various broad-based employee benefit plans. Executive officers participate in these plans on the same terms as eligible, non-executive employees, subject to legal limits on the amounts that may be contributed or paid to executive officers under these plans. One exception to this broad-based eligibility is that executive officers at the vice president level and above are eligible for life insurance policies that provide for three times cash compensation (salary and bonus) up to a \$1.5 million cap with evidence of insurability, which differs from the two times salary and bonus and \$500,000 cap available to non-sales employees and two times salary and commission and \$750,000 cap available to sales employees. The company also offers a 401(k) plan that allows all employees to invest in a wide array of funds on a pre-tax basis. The 401(k) plan allows employees to put aside the lesser of 60% of their eligible compensation or \$16,500 (or \$22,000 for individuals at least 50 years of age) for calendar year 2011. NetScout matches 50% of each employee's contribution up to 6% of such employee's annual salary. The matching amount vests 25% per year over four years. After four years of service, the employee match is 100% vested. Employees are eligible on date of hire.

Under his current employment agreement, Mr. Singhal is entitled to the following benefits: disability insurance of no less than 100% of base salary, paid vacation, group life insurance not to exceed \$1.5 million, and NetScout's generally available medical, dental, and vision plans as well as any other benefits generally available to senior executives of NetScout. In addition, NetScout will reimburse Mr. Singhal for tax and estate planning and for leasing and maintaining a car.

Post-Termination Compensation

Mr. Singhal's employment agreement provides that if any of the following three events occur (1) NetScout terminates Mr. Singhal's employment for any reason other than due cause (as defined in the agreement), (2) Mr. Singhal terminates his employment for any reason at any time following the consummation of a sale of NetScout, or (3) upon the death or disability of Mr. Singhal, then Mr. Singhal, or his estate, is entitled to receive in a lump sum, a payment equal to the net present value of \$16,000 per month for a period of seven years. If Mr. Singhal terminates his employment with NetScout for any reason prior to the consummation of a sale of NetScout, he is entitled to such lump sum payment for the period for which his severance benefits have vested (not to exceed seven years). Mr. Singhal will also receive continued health and dental benefits during such period. Mr. Singhal's severance benefits, including health and dental benefits, are fully vested, and the Company has projected its future payments for this unfunded obligation at approximately \$1.6 million in the aggregate. Mr. Singhal's employment agreement was amended in May 2012 to update certain provisions with respect to the application of Section 409A of the Internal Revenue Code of 1986, as amended, or the Code, but such amendment did not affect any of the provisions described above.

In May 2009, NetScout entered into severance agreements with its Named Executive Officers, other than its Chief Executive Officer and Ms. Bua, who entered into a similar agreement upon her joining the Company in September 2010. These agreements are intended to help NetScout retain key executives and to reinforce the continued attention and dedication of management in event of a change of control and to provide protection so that such executives can act in the best interests of NetScout without distraction. In May 28, 2012, the Company entered into amended and restated severance agreements with each of its named executive officers to update certain provisions with respect to application of Section 409A of the Code, make certain other technical amendments, and to revise Ms. Bua's agreement so that she is entitled to the same post termination compensation as the Company's other Named Executive Officers other than its Chief Executive Officer as described below.

For each of the Named Executive Officers, the amended and restated severance agreements provide certain payments in the event that such officer is terminated without cause (as defined in the applicable agreement) or resigns for good reason (as defined in the applicable agreement) at any time prior to a change in control of NetScout (as defined in the applicable agreement) or within one year thereafter. In such event, such officer will receive 12 months of his or her then current salary, and, if such termination occurs after a change of control, such officer will also receive a prorated amount of his maximum annual target bonus, based on the months elapsed in such year that in any event will not be less than 50% of his or her maximum annual target bonus and accelerated vesting of any outstanding unvested equity awards under the 2007 Plan, or any successor thereto, that would have vested or become exercisable within one year of such termination.

With respect to the severance agreement with Mr. Downing, if such termination occurs after a change of control, such payments will also include accrued but unpaid sales commissions plus a prorated amount of his maximum target sales commissions (without double counting for previously paid commissions) that in any event will not be less than 50% of his maximum target sales commissions.

Each of the amended and restated severance agreements listed above contain a one year initial term with one year automatic renewal terms unless NetScout or the respective executive officer elects not to renew the agreement.

The agreements also contain forfeiture provisions requiring repayment of severance amounts if it is ultimately determined that the executive officer committed certain prohibited conduct while employed by NetScout or materially breached any of the officer's agreements with NetScout.

Regulatory Requirements

Tax Deductibility of Executive Compensation

Under Section 162(m) of the Internal Revenue Code NetScout cannot deduct, for federal income tax purposes, compensation in excess of \$1,000,000 paid to certain executive officers. This deduction limit does not apply to compensation that constitutes qualified performance-based compensation within the meaning of Section 162(m) of the Code and the regulations promulgated thereunder.

Other Key Regulations Affecting Compensation Plans

Post-termination compensation is designed to minimize the effect of additional taxes imposed by Section 409A of the Code.

Management of Risk

Following review and discussion, the Compensation Committee believes that any risks arising from our compensation policies and practices for our employees will not have a material adverse effect on NetScout. In addition, the Compensation Committee believes that the mix and design of the elements of executive compensation do not encourage management to assume excessive risks. The considerations which led the Compensation Committee to this conclusion include the following:

We provide executives with a reasonable base salary. We believe these base salary levels mitigate risk-taking behavior by providing reasonable predictability in the level of income earned by each executive and alleviating pressure on executives to focus exclusively on stock price performance to the detriment of other important business metrics.

We use a mixture of compensation elements that is intended to discourage short-term risk taking. Further, the executive team overall has a long tenure and significant experience, enabling it to deal with business cycles.

Short term incentives in the form of annual performance bonus payouts are generally capped at 100% of the target amount, unless the Compensation Committee or the Board determines that extraordinary performance warrants a higher payout, which the Compensation Committee believes mitigates the likelihood that our executives will take excessive risks.

Equity incentive awards are generally granted annually and generally vest over four years, so executives have a significant amount of unvested awards that could decrease significantly in value if our business is not managed for the long-term. As noted, there are Stock Holding Guidelines designed to reinforce that long-term view.

We have a robust system of internal controls and a comprehensive compliance program, which includes extensive training of all employees, which we believe promotes a culture of ethical behavior and compliance, as well as an appropriate attitude toward risk-taking. The Compensation Committee retains discretion to adjust compensation based on adherence to our values and compliance with programs, among other things.

Conclusion

NetScout's compensation objectives, its evaluation process, and its work in cooperation with the Compensation Committee are designed to motivate and fairly reward executive officers while supporting the Company's goals for growth and increasing profitability. The Compensation Committee intends to continue the policy of linking executive compensation to corporate performance, both financial and strategic, with its goal of increasing stockholder value over time.

Report of Compensation Committee of the Board of Directors²

The Compensation Committee has reviewed the Compensation Discussion and Analysis portion of this proxy statement and discussed such section with management. Based on its review and discussions and its ongoing involvement with executive compensation matters, the Compensation Committee recommended to the

² The material in this report is not soliciting material, is furnished to, but not deemed filed with, the SEC and is not deemed to be incorporated by reference in any filing of the Company under the Exchange Act, other than the Company's Annual Report on Form 10-K, where it shall be deemed to be furnished, whether made before or after the date hereof and irrespective of any general incorporation

language in any such filing.

Board that the CD&A portion of this proxy statement be included in NetScout's proxy statement and incorporated into NetScout's Annual Report on Form 10-K for the fiscal year ended March 31, 2012. This report is provided by the following independent directors, who comprise the Compensation Committee:

Joseph G. Hadzima, Chair

Stuart M. McGuigan

Stephen G. Pearse

Compensation Committee Interlocks and Insider Participation

Neither Mr. Hadzima, Mr. McGuigan, nor Mr. Pearse was, during the past fiscal year, an officer or employee of the Company or any of our subsidiaries, was formerly an officer of the Company or any of our subsidiaries, or had any relationship with us requiring disclosure herein. During the past fiscal year, none of our executive officers served as:

a member of the compensation committee (or other board committee performing equivalent functions or, in the absence of any such committee, the entire board of directors) of another entity, of whose executive officers served on our Compensation Committee;

a director of another entity, one of whose executive officers served on our Compensation Committee; or

a member of the compensation committee (or other board committee performing equivalent functions or, in the absence of any such committee, the entire board of directors) of another entity, one of whose executive officers served as one of our directors.

Transactions with Related Persons

The Company has a written policy with respect to Related Persons Transactions. Except as specifically provided below, all Related Person Transactions require approval or ratification by either our Audit Committee (provided that the transaction involves terms comparable to terms that could be obtained from unrelated third parties), the majority of independent members of our Board, or, in the case of transactions that involve compensation, our Compensation Committee or a majority of our Board. Like other company policies, our Policy with respect to Related Person Transactions is managed on a day to day basis by our management team, including our General Counsel, and to the extent necessary, related matters are discussed with our Board (or a committee thereof) or our outside counsel.

For NetScout, a Related Person Transaction is broadly defined as any transaction between NetScout and any Related Person (as defined below), including any transactions requiring disclosure under Item 404 of Regulation S-K under the Exchange Act, unless such transaction is available to all of our employees generally or if such transaction, when aggregated with any other transactions with such person during such fiscal year, involves less than \$5,000.

A Related Person means:

- i. a director or executive officer of NetScout, as well as any nominee for director proposed to be elected at the next annual meeting of stockholders;
- ii. a stockholder owning in excess of five percent of NetScout (or its controlled affiliates);
- iii. an immediate family member of the persons listed in Nos. i and ii above (immediate family as defined under Item 404 of Regulation S-K under the Securities Exchange Act of 1934); and

Edgar Filing: NETSCOUT SYSTEMS INC - Form DEF 14A

- iv. an entity which is owned or controlled by someone listed in i, ii or iii above, or an entity in which someone listed in i, ii or iii above has a substantial ownership interest or control of such entity.

Our Board has determined that our Audit Committee is generally best suited to review and approve Related Person Transactions. If Audit Committee approval is not possible (because it involves terms that are not comparable to terms that could be obtained from unrelated third parties or because of logistical difficulties), or if a transaction involves compensation, such approval may be obtained as provided in the first paragraph of this response. Such Related Person Transactions may be presented for approval or preliminarily entered into by our management subject to ratification by the applicable committee or our Board, provided that if ratification does not occur, our management is obliged to take all reasonable efforts to cancel or annul such transaction. Transactions with Related Persons other than our management cannot be entered into on a preliminary basis.

In determining whether or not to approve a Related Person Transaction, the applicable committee or our Board will also consider whether such transaction would affect the status of a member of our Board as an independent director as promulgated by the Securities and Exchange Commission, the Financial Industry Regulatory Authority, any exchange upon which our securities are traded, or any governmental or regulatory body exercising authority over us. If the result of any such Related Person Transaction is that a majority of our Board would no longer be deemed to be independent directors then such transaction will not be approved. Other than as described under Employment and Other Agreements and Post Termination Compensation above, the Company is not party to any Related Person Transactions with respect to the fiscal year ended March 31, 2012.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our directors, executive officers, and holders of more than 10% of our common stock, or collectively, Reporting Persons, to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock. Such persons are required by SEC regulations to furnish us with copies of all such filings. Based on our review of the copies of such filings received by us with respect to the fiscal year ended March 31, 2012 and written representations from certain Reporting Persons, we believe that all Section 16(a) filing requirements were complied with on a timely basis during the fiscal year ended March 31, 2012, except that Mr. Sommers inadvertently failed to report a transfer as of the calendar year end of 1,622 shares made without consideration by a trust in which Mr. Sommers previously had a pecuniary interest to the beneficiaries of such trust in which the reporting person has no pecuniary interest.

AUDITORS FEES AND SERVICES

The following sets forth the aggregate fees billed to us by our independent registered public accounting firm during the fiscal years ended March 31, 2012 and 2011:

Audit Fees

Fees for audit services were approximately \$819,570 and \$646,000 for the fiscal years ended March 31, 2012 and 2011, respectively, including fees associated with the integrated audit of the consolidated financial statements included in our Annual Report on Form 10-K, the reviews of our Quarterly Reports on Form 10-Q, and statutory audits required of our foreign subsidiaries.

Audit-Related Fees

Fees for audit-related services were approximately \$186,575 and \$454,000 for the fiscal years ended March 31, 2012 and 2011, respectively, including fees associated with services related to review of accounting for significant transactions, and review of our implementation of new accounting pronouncements.

Tax Fees

Total fees for tax services were approximately \$119,000 and \$214,700 for the fiscal years ended March 31, 2012 and 2011, respectively, consisting of tax compliance and preparation fees and other domestic and international tax advisory services.

All Other Fees

Total all other fees were approximately \$4,300 and \$2,700 for the fiscal years ended March 31, 2012 and March 31, 2011, respectively, consisting of fees related to research services.

Policy on Audit Committee Pre-approval of Audit and Non-Audit Services

Our Audit Committee has implemented procedures under our Audit Committee Pre-Approval Policy for Audit and Non-Audit Services, or the Pre-Approval Policy, to ensure that all audit and permitted non-audit services provided to us are pre-approved by the Audit Committee. Specifically, the Audit Committee pre-approves the use of our independent registered public accounting firm for specific audit and non-audit services within approved monetary limits. If a proposed service has not been pre-approved pursuant to the Pre-Approval Policy, then it must be specifically pre-approved by our Audit Committee before it may be provided by our independent registered public accounting firm. Any pre-approved services exceeding the pre-approved monetary limits require specific approval by our Audit Committee. The Audit Committee delegated authority to management to approve expense items up to \$50,000 provided all such amounts are reported to the Audit Committee. All of the audit-related, tax, and all other services provided by our independent registered public accounting firm in fiscal years 2012 and 2011 were approved by the Audit Committee by means of specific pre-approvals or pursuant to the procedures contained in the Pre-Approval Policy. All non-audit services provided in fiscal years 2012 and 2011 were reviewed with our Audit Committee, which concluded that the provision of such services by our independent registered public accounting firm was compatible with the maintenance of that firm's independence in the conduct of its auditing functions.

EXPENSES AND SOLICITATION

We will bear the cost of solicitation of proxies, and, in addition to soliciting stockholders by mail through our regular employees, we may request banks, brokers, and other custodians, nominees, and fiduciaries to solicit their customers who have our stock registered in the names of a nominee, and, if so, will reimburse such banks, brokers, and other custodians, nominees, and fiduciaries for their reasonable out-of-pocket costs. Solicitation by our officers and employees may also be made of some stockholders in person or by mail, telephone, or telegraph following the original solicitation. We may retain a proxy solicitation firm to assist in the solicitation of proxies. We will bear all reasonable solicitation fees and expenses if such a proxy solicitation firm is retained.

NetScout Systems, Inc.

WO#

26423-2

q FOLD AND DETACH HERE q

THE SHARES REPRESENTED BY THIS PROXY WILL BE VOTED AS DIRECTED OR, IF NO DIRECTION IS GIVEN, WILL BE VOTED FOR THE ELECTION OF THE DIRECTORS AND FOR PROPOSALS 2 AND 3.

Please mark your votes as

indicated in this example

X

FOR WITHHOLD

ALL FOR ALL *EXCEPTIONS

FOR AGAINST ABSTAIN

1. To elect the two members nominated by our Board to the Board of Directors to serve until the 2015 Annual Meeting of Stockholders or until their successors are duly elected and qualified.

..

2. To ratify the selection of PricewaterhouseCoopers LLP to serve as our independent registered public accounting firm for the fiscal year ending March 31, 2013.

..

..

Nominees

3. To approve, on an advisory basis, the compensation of our named executive officers, as disclosed in this proxy statement in accordance with Securities Exchange Commission rules.

(01) Victor A. DeMarines

(02) Vincent J. Mullarkey

(INSTRUCTIONS: To withhold authority to vote for any individual nominee, mark the Exceptions box above and write that nominee's name in the space provided below.)

4. To transact such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

*Exceptions

Mark Here for ..

Address Change

or Comments

(Please sign exactly as your name appears hereon. If signing as attorney, executor, trustee or guardian, please give your full title as such. If stock is held jointly, each owner should sign. Please read reverse side before signing.)

PLEASE MARK, SIGN, DATE AND PROMPTLY RETURN THIS PROXY CARD USING THE ENCLOSED ENVELOPE.

Signature

Signature

Date

You can now access your NetScout Systems, Inc. account online.

Access your NetScout Systems, Inc. account online via the Investor ServiceDirect™ (ISD).

The transfer agent for NetScout Systems, Inc., now makes it easy and convenient to get current information on your shareholder account.

View account status	View payment history for dividends
View certificate history	Make address changes
View book-entry information	Obtain a duplicate 1099 tax form

**Visit us on the web at <http://www.cpushareownerservices.com/>
For Technical Assistance Call 1-877-978-7778 between 9am-7pm
Monday-Friday Eastern Time**

**The Investor ServiceDirect™ Website
Available 24 hours per day, 7 days per week
TOLL FREE NUMBER: 1-800-370-1163**

Choose **MLinkSM** for fast, easy and secure 24/7 online access to your future proxy materials, investment plan statements, tax documents and more. Simply log on to **Investor ServiceDirect[®]** at <http://www.cpushareownerservices.com/> where step-by-step instructions will prompt you through enrollment.

Important notice regarding the Internet availability of proxy materials for the Annual Meeting of stockholders. The Proxy Statement and the 2012 Annual Report to Stockholders are available at: www.netscout.com/investors

FOLD AND DETACH HERE

NETSCOUT SYSTEMS, INC.

PROXY FOR ANNUAL MEETING OF STOCKHOLDERS

AUGUST 21, 2012

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby appoints Anil K. Singhal and David P. Sommers, and each of them, proxies, with full power of substitution, to vote all shares of common stock of NetScout Systems, Inc. (the Company) which the undersigned is entitled to vote at the Annual Meeting of Stockholders of the Company to be held on Tuesday, August 21, 2012, at 10:00 a.m. local time, at NetScout Systems Inc., 310 Littleton Road, Westford, Massachusetts, and at any adjournments thereof, upon matters set forth in the Notice of Annual Meeting of Stockholders and Proxy Statement dated July 12, 2012, a copy of which has been received by the undersigned.

SHAREOWNER SERVICES

Address Change/Comments
(Mark the corresponding box on the reverse side)

P.O. BOX 3550
SOUTH HACKENSACK, NJ 07606-9250

(Continued and to be marked, dated and signed, on the other side)

WO#

26423-2