

NETSCOUT SYSTEMS INC  
Form PRER14A  
February 13, 2015  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**SCHEDULE 14A**

**(RULE 14a-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT**

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the Securities**

**Exchange Act of 1934**

**(Amendment No. 2)**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**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.
  - (1) Title of each class of securities to which transaction applies:
  - (2) Aggregate number of securities to which transaction applies:
  - (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):
  - (4) Proposed maximum aggregate value of transaction:
  - (5) Total fee paid:
- Fee paid previously with preliminary materials.

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**Preliminary Copy**

[ ], 2015

Dear Stockholders:

You are cordially invited to attend a special meeting of the stockholders of NetScout Systems, Inc., or NetScout, to be held on [ ], 2015 at [ ] local time, at NetScout Systems, Inc., 310 Littleton Road, Westford, Massachusetts to vote on actions associated with a strategic acquisition that your board of directors has determined represents an unprecedented opportunity to strengthen NetScout and position it to deliver enhanced, sustainable shareholder value. A notice of the special meeting and the proxy statement follow.

As previously announced, on October 12, 2014, NetScout entered into a definitive agreement with Danaher Corporation, or Danaher, under which NetScout will acquire Danaher's Communications Business, comprising Tektronix Communications, Arbor Networks, and certain parts of Fluke Networks, which we refer to as the Communications Business.

We believe the acquisition is highly compelling strategically, operationally and financially, and that it will create shareholder value well in excess of what NetScout could achieve on its own, based on benefits that include:

a broader portfolio of best-in-class solutions that will roughly double NetScout's total addressable market to over \$8 billion;

acceleration of our plans to participate more substantially in growth-oriented market sectors such as cyber intelligence and business intelligence analytics;

stronger go-to-market capabilities to support a broader, more global and diverse customer base of service provider and enterprise customers; and

notable operating synergies arising from our greater scale that will enable us to improve efficiencies across a number of key functional areas, along with the resources necessary to fund continued innovation and key sales, marketing and support programs.

In combination, we believe that these benefits will enable NetScout to sustain strong growth on a substantially larger revenue base, which, in combination with notable operating synergies and prudent investment, will enable us to drive our profitability to new levels.

At the special meeting, you will be asked to approve a proposal to issue shares of NetScout common stock in connection with the transactions necessary to combine the Communications Business with the business of NetScout. You will also be asked to approve a proposal to adjourn or postpone the special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the special meeting to approve the issuance

of shares of NetScout common stock in the acquisition. **If the proposal to approve the issuance of shares of NetScout common stock is not approved, the proposed acquisition cannot be completed.**

After consummation of the transactions described in the proxy statement, approximately 59.5% of NetScout common stock is expected to be held by pre-transaction holders of Danaher common stock and approximately 40.5% of NetScout common stock is expected to be held by pre-transaction NetScout stockholders. After the transactions, NetScout common stock issued will continue to be listed on NASDAQ under NetScout's current symbol, NTCT.

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**The NetScout board of directors recommends that you vote FOR the proposal to issue shares of NetScout common stock to facilitate the completion of the acquisition and FOR the proposal to approve adjournments or postponements of the special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the special meeting to approve the issuance of shares of NetScout common stock.**

Your proxy is being solicited by the board of directors of NetScout. After careful consideration, our board of directors unanimously approved the definitive agreement and determined that this agreement and the other transactions associated with it are advisable and fair to, and in the best interests of, NetScout and its stockholders.

**We urge all NetScout stockholders to read the accompanying proxy statement carefully and in its entirety. In particular, we urge you to read carefully the matters discussed under Risk Factors beginning on page 31.**

Your vote is very important, regardless of the number of shares you own. We cannot complete the acquisition unless the proposal to issue NetScout shares in the transaction is approved by the affirmative vote of a majority of the outstanding shares of common stock that are voted at the special meeting. Regardless of your plans to attend the special meeting in person, please vote by proxy over the telephone, on the internet or by mail as described in the enclosed proxy materials. If you submit your proxy without indicating how you want to vote, your proxy will be counted as a vote **FOR** each of the proposals presented at the special meeting. If you do not vote by telephone, by using the internet or by mail, or if you do not specifically instruct your bank, broker or other nominee how to vote any shares held for you in street name, your shares will not be voted at the special meeting.

On behalf of our Board of Directors, we thank you for your support and appreciate your consideration of this matter. We look forward to reporting the results from the special meeting to you.

Very truly yours,

Anil Singhal  
Chairman, President, and Chief Executive  
Officer

This document is dated [ ], 2015 and is first being mailed to NetScout's stockholders on or about [ ], 2015.

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**REFERENCES TO ADDITIONAL INFORMATION**

This document incorporates important business and financial information about NetScout from documents filed with the SEC that have not been included or delivered with this document. This information is available to NetScout stockholders without charge by accessing the SEC's website maintained at [www.sec.gov](http://www.sec.gov), or upon written or oral request to NetScout Systems, Inc., 310 Littleton Road, Westford, Massachusetts 01886, Attention: Investor Relations, telephone: (978) 614-4000. See "Where You Can Find More Information; Incorporation by Reference."

All information contained or incorporated by reference in this document with respect to NetScout, Merger Sub and Merger Sub II and their respective subsidiaries, as well as information on NetScout after the consummation of the Transactions, has been provided by NetScout. All other information contained or incorporated by reference in this document with respect to Danaher, Newco or their respective subsidiaries, or the Communications Business and with respect to the terms and conditions of Danaher's exchange offer and/or spin-off has been provided by Danaher. This document contains or incorporates by reference references to trademarks, trade names and service marks, including AIRMAGNET®, FLUKE NETWORKS®, ARBOR NETWORKS®, TEKTRONIX® Communications and VSS MONITORING® that are owned by Danaher and its related entities.

The information included in this document regarding Danaher's exchange offer is being provided for informational purposes only and does not purport to be complete. For additional information on Danaher's exchange offer and the terms and conditions of Danaher's exchange offer, NetScout's stockholders are urged to read Newco's registration statement on Form S-4 and Form S-1 (Reg. No. 333-200711), NetScout's registration statement on Form S-4 (Reg. No. 333-200704), when each is available, and all other documents Newco or NetScout file with the SEC relating to the Mergers. This document constitutes only a proxy statement for NetScout stockholders relating to the special meeting and is not an offer to sell or a solicitation of an offer to purchase shares of NetScout common stock, Danaher common stock or Newco common units.

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**EXPLANATORY NOTE**

This proxy statement relates to the special meeting of stockholders of NetScout Systems, Inc. ( NetScout ) to approve the issuance of shares of NetScout common stock, par value \$0.001 per share, that will be issued in the two-step merger process whereby (i) RS Merger Sub I, Inc., a Delaware corporation ( Merger Sub ), which is a wholly-owned subsidiary of NetScout Systems, Inc., a Delaware corporation ( NetScout ), will merge with and into Newco, with Newco continuing as the surviving company (the First Merger ) and (ii) immediately following the First Merger, Newco will merge with and into RS Merger Sub II, LLC, a Delaware limited liability company ( Merger Sub II ), which is a wholly-owned subsidiary of NetScout, with Merger Sub II surviving as a wholly-owned subsidiary of NetScout (the Second Merger , and together with the First Merger, the Mergers ). Prior to the Mergers, Danaher will transfer certain assets and liabilities related to the communications business of Danaher, including Tektronix Communications, Arbor Networks and certain parts of Fluke Networks Enterprise, but excluding Danaher's data communications cable installation business and its communication service provider (field and test tools systems) business (the Communications Business ), to Newco or one of its subsidiaries. In exchange therefor, Danaher will receive all of the issued and outstanding Newco common units. Newco is a newly formed, wholly-owned subsidiary of Danaher that was organized specifically for the purpose of effecting the Separation (as defined below). Newco has engaged in no business activities to date and it has no material assets or liabilities of any kind, other than those incident to its formation and those incurred in connection with the Transactions (as defined below). The Newco common units will be immediately converted into shares of NetScout common stock in the First Merger. NetScout has filed this proxy statement that relates to the special meeting of stockholders of NetScout to approve the issuance of shares of NetScout common stock in the First Merger. In addition, NetScout has filed a registration statement on Form S-4 (Registration No. 333-200704) to register the shares of its common stock, which will be issued in the First Merger.

Based on market conditions prior to the closing of the Mergers, Danaher will determine whether the Newco common units will be distributed to Danaher's stockholders in a spin-off or a split-off. In a spin-off, all Danaher stockholders would receive a pro rata number of Newco common units. In a split-off, Danaher would offer its stockholders the option to exchange their shares of Danaher common stock for Newco common units in an exchange offer. If the exchange offer is undertaken and consummated but the exchange offer is not fully subscribed because fewer than all Newco common units owned by Danaher are exchanged, the remaining Newco common units owned by Danaher would be distributed on a pro rata basis to Danaher stockholders whose shares of Danaher common stock remain outstanding after consummation of the exchange offer. After the distribution of Newco common units in a split-off and/or spin-off, as applicable, Newco common units would immediately be converted into shares of NetScout common stock in the First Merger, resulting in a reduction in Danaher's outstanding shares.

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**NETSCOUT SYSTEMS, INC.**

**310 Littleton Road**

**Westford, MA 01886**

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS**

**To Be Held [ ]**

To the Stockholders of NetScout Systems, Inc.:

A special meeting of stockholders (the special meeting) of NetScout Systems, Inc. (NetScout) will be held at [ ] a.m. local time, on [ ], 2015, at NetScout Systems, Inc., 310 Littleton Road, Westford, Massachusetts 01886. The special meeting will be held for the following purposes:

1. To approve the issuance of shares of NetScout common stock in the First Merger;
2. To adjourn or postpone the special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the special meeting to approve the issuance of shares of NetScout common stock in the First Merger; and
3. To transact any other business that may properly come before the special meeting or any adjourned or postponed session of the special meeting.

**NetScout's board of directors has unanimously approved the Mergers, the Merger Agreement, and the other Transactions (each as defined in this proxy statement), and determined that the Transactions contemplated by the Merger Agreement are advisable and fair to, and in the best interests of, NetScout and its stockholders. NetScout's board of directors recommends that stockholders vote FOR the proposal to issue shares of NetScout common stock in the First Merger and FOR the proposal to approve adjournments or postponements of the special meeting for the purpose of soliciting additional proxies, if necessary or appropriate. If the proposal to approve the issuance of shares of NetScout common stock in the First Merger is not approved, the Mergers cannot be completed.**

Holders of record at the close of business on [ ], 2015, the Record Date for determining stockholders entitled to vote at the special meeting, will be entitled to vote at the meeting and any adjournments or postponements of the special meeting.

The attached proxy statement contains a description of the Merger Agreement and the proposed Transactions.

All NetScout stockholders are cordially invited to attend the special meeting in person. However, whether or not NetScout stockholders plan to attend the meeting, we urge each NetScout stockholder to vote by proxy by following the instructions on the enclosed proxy card to ensure its vote is counted. A NetScout stockholder may still attend the meeting in person even if it has already voted by proxy. If your shares are held in the name of a bank, broker or other



nominee, you may be eligible to vote electronically or by phone please refer to the voting instruction form provided to you by your bank, broker or other nominee. If you attend the meeting, you may vote in person even if you have previously returned your vote in accordance with the foregoing.

By Order of the Board of Directors,

Anil K. Singhal

*Chairman, President, and Chief Executive Officer*

Westford, Massachusetts

[ ], 20[ ]

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Certain abbreviations and terms used in the text and notes are defined below:

<b>Abbreviation/Term</b>	<b>Description</b>
Ancillary Agreements	The Tax Matters Agreement, the Transition Services Agreement, the Employee Matters Agreement, the Trademark License Agreement, the DBS License Agreement, the IP License Agreement, the Lease Agreement and any other agreements mutually agreed to by the parties pursuant to the Distribution Agreement
Audited Financial Statements	The audited combined financial statements of (x) the Communications Business and (y) Newco (before giving effect to the internal restructuring described in the Distribution Agreement), including the combined balance sheets of (x) the Communications Business and (y) Newco (before giving effect to the internal restructuring described in the Distribution Agreement) as of December 31, 2013 and December 31, 2012 and the three years in the period ended December 31, 2013 together with a report on the financial statements from the independent registered public accounting firm for the Communications Business
Code	The Internal Revenue Code of 1986, as amended
Communications Business	The communications group business of Danaher conducted under the brands Tektronix Communications, Fluke Networks and Arbor Networks, and including Newco and its subsidiaries; provided, however, that the Communications Business shall exclude Danaher's data communications cable installation business and its communication service provider (field and test tools systems) business
Danaher	Danaher Corporation
Danaher common stock	The common stock, par value \$0.01 per share, of Danaher
Danaher Equity Award	Any Danaher Option that is issued and unexercised and any Danaher RSU that is issued and unvested, in each case at the effective time of the First Merger, and which is treated in each case in accordance with the Employee Matters Agreement
Danaher group	Danaher and each of its subsidiaries, but excluding any member of the Newco group
Danaher Option	Options to purchase shares of Danaher common stock from Danaher, whether granted by Danaher pursuant to the Danaher Stock Plans, assumed by Danaher in connection with any merger, acquisition or similar transaction or otherwise issued or granted and whether vested or unvested
Danaher RSU	Each restricted stock unit representing the right to vest in and be issued shares of Danaher common stock by Danaher, whether granted by Danaher pursuant to a Danaher Stock Plan, assumed by Danaher in connection with any merger, acquisition or similar transaction or otherwise issued or granted



and whether vested or unvested

Danaher Shared Contract

Any contract relating to (but not relating primarily to) the Communications Business that also relates to any business or business function of the Danaher group to which Danaher, Newco or any member of their respective groups is a party or by which any of their respective assets is bound

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<b>Abbreviation/Term</b>	<b>Description</b>
Danaher Stock Plans	Danaher's 1998 Stock Option Plan, Danaher's 2007 Stock Incentive Plan, Tektronix 2002 Stock Incentive Plan and Tektronix 2005 Stock Incentive Plan
DBS License Agreement	The DBS License Agreement substantially in the form attached as Exhibit E to the Distribution Agreement
Debt Financing	Any debt financing entered into by the NetScout Companies in connection with the Mergers, the Distribution and other transactions contemplated by the Transaction Documents, including the amendment of that certain Credit and Security Agreement, dated as of December 21, 2007, by and among NetScout, KeyBank National Association, Wells Fargo Bank, National Association, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Bank of America, N.A., Silicon Valley Bank, Comerica Bank, and the lenders party thereto, as amended by First Amendment Agreement, dated as of December 4, 2009
DGCL	General Corporation Law of the State of Delaware
The Distribution	The distribution by Danaher, pursuant to the Merger Agreement, of 100% of the Newco common units to Danaher's stockholders in either an exchange offer followed, if necessary, by a spin-off or in a spin-off distribution not including an exchange offer. Danaher expects for the Distribution to be effected through an exchange offer, but the ultimate structure selected will be based on market conditions
The Distribution Agreement	The Separation and Distribution Agreement, dated as of October 12, 2014, by and among Danaher, NetScout and Newco (as the same may be amended from time to time)
Distribution Date	The date selected by the Danaher board or its designee for the distribution of Newco common units to holders of Danaher common stock as of the record date in connection with the Distribution
Employee Matters Agreement	The Employee Matters Agreement substantially in the form attached as Exhibit C to the Distribution Agreement
Exchange Act	The Securities Exchange Act of 1934, as amended
The exchange offer	An exchange offer whereby Danaher is offering to its stockholders the option to exchange all or a portion of their shares of Danaher common stock for all of the Newco common units, which Newco common units will be immediately exchanged for NetScout common stock in the Mergers
The First Merger	The merger of Merger Sub with and into Newco, with Newco surviving the merger as a wholly-owned subsidiary of NetScout, as contemplated by the Merger Agreement
GAAP	Generally accepted accounting principles in the United States
HSR Act	The Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended
Internal Restructuring	The corporate structuring steps contemplated by the Plan of Reorganization

IP License Agreement

The Intellectual Property Cross-License Agreement substantially in the form attached as Exhibit G to the Distribution Agreement

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<b>Abbreviation/Term</b>	<b>Description</b>
IRS	Internal Revenue Service
IRS ruling	Private letter ruling from the IRS with respect to certain aspects of the anticipated non-taxable nature of the Transactions
Lease Agreement	The Commercial Lease Agreement substantially in the form attached as Exhibit F to the Distribution Agreement
The Merger Agreement	The Agreement and Plan of Merger and Reorganization, dated as of October 12, 2014, by and among Danaher, Newco, NetScout, Merger Sub and Merger Sub II (as the same may be amended from time to time)
The Mergers	The First Merger together with the Second Merger
Merger Sub	RS Merger Sub I, Inc., which is a wholly-owned subsidiary of NetScout
Merger Sub II	RS Merger Sub II, LLC, which is a wholly-owned subsidiary of NetScout
NASDAQ	The NASDAQ Global Select Market
NetScout	NetScout Systems, Inc.
NetScout Bylaws	NetScout's Amended and Restated Bylaws
NetScout Charter	NetScout's Third Amended and Restated Certificate of Incorporation
NetScout common stock	The common stock, par value \$0.001 per share, of NetScout
NetScout Companies	NetScout and each of NetScout's subsidiaries, including Merger Sub and Merger Sub II
NetScout Products	Products or services (i) both (x) designated or developed and (y) sold, or (ii) under development and substantially completed, or (iii) manufactured, sold or distributed, in each of the foregoing (i), (ii) and (iii), by or on behalf of the NetScout Companies as of October 12, 2014, including the products listed in the NetScout disclosure letter to the Merger Agreement
NetScout Superior Offer	An unsolicited bona fide written offer by a third party to purchase at least a majority of the outstanding shares of NetScout common stock or at least a majority of the assets of NetScout (whether through a tender offer, merger or otherwise), that is determined by the NetScout board of directors, in its good faith judgment, after consulting with its financial advisor and outside legal counsel, and after taking into account the terms and conditions of the offer, including the likelihood and anticipated timing of consummation, (i) to be more favorable, from a financial point of view, to NetScout's stockholders than the combination with Newco, (ii) is reasonably likely to be completed, taking into account any financing and approval requirements that the NetScout board of directors determines to be relevant and all other financial, legal, regulatory and other aspects of such proposal that the NetScout board of directors determines to be relevant, and (iii) for which financing, if a cash transaction (in whole or part), is then fully committed
Newco	Potomac Holding LLC, which is a Delaware limited liability company and currently a wholly-owned subsidiary of Danaher Corporation

Newco Assets

Has the meaning ascribed to the Communications Assets in the Distribution Agreement

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<b>Abbreviation/Term</b>	<b>Description</b>
Newco common units	Common units representing limited liability company interests in Newco
Newco Companies	Newco and its subsidiaries after giving effect to the transactions and transfer of assets and liabilities as set forth in the Distribution Agreement
Newco Employee	Each employee who as of the date of the Separation is an employee of Danaher's Tektronix Communications business or Danaher's Arbor Networks business and each employee of Danaher's Fluke Networks Enterprise business who is determined to be either primarily dedicated to the Communications Business in the ordinary course or required for the ongoing operation of the Communications Business, and in all cases regardless of whether any such employee is actively at work as of the date of the Separation or is not actively at work as of the date of the Separation as a result of disability or illness, an approved leave of absence (including military leave with reemployment rights under federal law and leave under the Family and Medical Leave Act of 1993), vacation, personal day or similar short- or long-term absence
Newco group	Newco, and each of the subsidiaries of Danaher contemplated to be owned (directly or indirectly) by Newco immediately prior to the Separation Time pursuant to the Plan of Reorganization
Newco Indemnitees	Newco, each member of the Newco group, NetScout (from and after the Separation Time), each of their respective successors and assigns, all persons who are or have been stockholders, directors, partners, managers, managing members, officers, agents or employees of any member of the Newco group (in each case, in their respective capacities as such), and their respective heirs, executors, administrators, successors and assigns
Newco Independent Contractor	Each independent contractor who as of the date of the Separation provides services to Danaher's Tektronix Communications business or Danaher's Arbor Networks business and each independent contractor providing services to Danaher's Fluke Networks Enterprise business who is determined to be either primarily dedicated to the Communications Business in the ordinary course or required for the ongoing operation of the Communications Business
Newco IP	(a) All intellectual property constituting, and all intellectual property rights embodied by, the Newco Products and for which Danaher has (or purports to have, including as a result of the transfers under the Distribution Agreement) ownership rights; and (b) all other material intellectual property rights with respect to which any of the Newco Companies has (or purports to have, including as a result of the transfers under the Distribution Agreement) an ownership interest
Newco Products	Products or services (i) both (x) designated or developed and (y) sold, or (ii) under development and substantially completed, or (iii) manufactured, sold or distributed, in each of the foregoing (i), (ii) and (iii), by or on behalf of the Communications Businesses or Newco Companies as of October 12,

2014, including the products listed in the Danaher disclosure letter to the Merger Agreement

Newco Shared Contract

Any contract primarily relating to the Communications Business that also relates to any business or business function of the Danaher group to which Danaher, Newco or any member of their respective groups is a party or by which any of their respective assets is bound

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<b>Abbreviation/Term</b>	<b>Description</b>
NYSE	The New York Stock Exchange
Operating Profit	The earnings before income taxes of the Communications Business, taken as a whole, for the fiscal year ended December 31, 2013, calculated in a manner consistent with GAAP consistently applied but before (1) impairment of intangible assets, (2) intangible amortization, (3) stock based compensation, (4) corporate allocations and (5) allocations from Fluke Industrial or Tektronix Instruments, calculated in a manner consistent with the schedules to the Merger Agreement
Plan of Reorganization	The plan to allocate and convey to Newco (or the applicable Newco Sub) the Communications Assets, the Communications Liabilities and ownership of the Newco Subs to reach the Newco structure as it will exist immediately prior to the Distribution
The Second Merger	After the First Merger, the merger of Newco with and into Merger Sub II, with Merger Sub II surviving the merger, as contemplated by the Merger Agreement
Securities Act	The Securities Act of 1933, as amended
The Separation	The internal restructuring to separate and consolidate certain assets and liabilities used in the Communications Business under Newco pursuant to the Distribution Agreement
Separation Date	The effective date of the Separation
Separation Time	The effective time of the Separation
Tax Matters Agreement	The Tax Matters Agreement substantially in the form attached as Exhibit A to the Distribution Agreement
Tax Opinion	The tax opinion of Danaher's tax counsel, dated as of the closing date of the Mergers
The Transactions	The Separation, the Distribution, the Mergers and related transactions
Trademark License Agreement	The Trademark License Agreement substantially in the form attached as Exhibit D to the Distribution Agreement
Transaction Documents	The Merger Agreement, the Distribution Agreement, the Tax Matters Agreement, the Transition Services Agreement, the Employee Matters Agreement, the Trademark License Agreement, the IP License Agreement, the DBS License Agreement, the Lease Agreement and the Voting Agreement
Transition Services Agreement	The Transition Services Agreement substantially in the form attached as Exhibit B to the Distribution Agreement
Voting Agreement	The Voting Agreement, dated as of October 12, 2014, between Danaher and Anil Singhal



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**QUESTIONS AND ANSWERS ABOUT THE TRANSACTIONS AND THE SPECIAL MEETING**

*The following are some of the questions that NetScout stockholders may have and answers to those questions. These questions and answers, as well as the following summary, are not meant to be a substitute for the information contained in the remainder of this document, and this information is qualified in its entirety by the more detailed descriptions and explanations contained elsewhere in this document. NetScout urges its stockholders to read this document in its entirety prior to making any decision.*

**Q: Why am I receiving these materials?**

A: NetScout and Danaher have entered into the Merger Agreement pursuant to which the Communications Business will combine with NetScout's business. NetScout is holding a special meeting of its stockholders in order to obtain stockholder approval of the issuance of shares of NetScout common stock in the First Merger. NetScout cannot complete the Mergers unless the proposal relating to the issuance of NetScout common stock in the First Merger is approved by the affirmative vote of a majority of the shares of NetScout common stock represented and voting at the special meeting, either in person or by proxy (assuming a quorum exists). The adjournment or postponement of the special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the special meeting to approve the issuance of shares of NetScout common stock in the First Merger must also be approved by the affirmative vote of a majority of the shares of NetScout common stock represented and voting at the special meeting, either in person or by proxy.

This document includes important information about the Transactions and the special meeting of the stockholders of NetScout. NetScout stockholders should read this information carefully and in its entirety. A copy of the Merger Agreement is attached as Annex A to this document. The enclosed proxy materials allow NetScout stockholders to vote their shares without attending the NetScout special meeting. **The vote of NetScout stockholders is very important and NetScout encourages its stockholders to vote their proxy as soon as possible. Please follow the instructions set forth on the enclosed proxy card (or on the voting instruction form provided by the record holder if shares of NetScout stock are held in the name of a bank, broker or other nominee).**

**Q: Who can vote at the special meeting?**

A: Only holders of record at the close of business on [ ] will be entitled to vote at the special meeting. On this record date, there were [ ] shares of common stock outstanding and entitled to vote.

*Holder of Record*

If, on [ ], a NetScout stockholder's shares were registered directly in that stockholder's name with NetScout's transfer agent, Computershare, then that stockholder is a holder of record. As a holder of record, a NetScout Stockholder may vote in person at the meeting or vote by proxy. Whether or not NetScout stockholders plan to attend the meeting, we urge NetScout Stockholders to vote by returning the enclosed proxy card or voting by proxy over the telephone or on the internet as instructed below to ensure their vote is counted.

*Beneficial Owner*

If, on [ ], a NetScout stockholder holds shares of NetScout common stock in street name or beneficial name (that is, the NetScout stockholder holds its shares through a bank, broker or other nominee), a voting instruction form has been forwarded to that stockholder by its bank, broker or other nominee, or its agent which is considered the holder of record with respect to these shares. As the beneficial owner, a NetScout stockholder has the right to direct its bank, broker or other nominee as

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to how to vote its shares by following the instructions in the voting instruction form or by voting via the internet or by telephone, but the scope of its rights depends upon the voting processes of the bank, broker or other nominee. Please carefully follow the voting instructions provided by the bank, broker or other nominee or its respective agent.

**Q: What is NetScout proposing?**

A: NetScout is proposing to combine the Communications Business with NetScout's business. The combination will be effected through a series of Transactions that are described in more detail below and elsewhere in this document. At the consummation of these Transactions:

the Communications Business will be owned by Merger Sub II, which will be a wholly-owned subsidiary of NetScout; and

approximately 59.5% of NetScout common stock is expected to be held by pre-First Merger holders of Danaher common stock and approximately 40.5% of NetScout common stock is expected to be held by pre-First Merger NetScout stockholders.

In the First Merger, NetScout expects to issue an aggregate number of shares of common stock of NetScout equal to (x) 62.5 million shares of NetScout common stock plus the product of (A) 1.46 multiplied by (B) the number of shares of NetScout common stock issued in any acquisition by NetScout prior to the effective time of the First Merger, divided by (y) the aggregate number of Newco common units issued and outstanding immediately prior to the effective time of the First Merger. Based upon the reported closing sale price of \$[ ] per share for NetScout common stock on NASDAQ on [ ], the total value of the shares expected to be issued by NetScout would have been approximately \$[ ] billion. The value of the consideration to be paid by NetScout in the First Merger will fluctuate with the market price of NetScout common stock until the Mergers are consummated.

**Q: What are the Transactions referenced above?**

A: On October 12, 2014, NetScout and Danaher agreed to enter into Transactions to effect the transfer of the Communications Business to NetScout. These Transactions provide for the Separation and the Distribution of the Communications Business and the subsequent mergers of (a) Merger Sub with and into Newco, with Newco surviving as a wholly-owned subsidiary of NetScout and (b) Newco with and into Merger Sub II, with Merger Sub II surviving as a wholly-owned subsidiary of NetScout. In order to effect the Separation, the Distribution and the Mergers, Danaher, Newco, NetScout, Merger Sub and Merger Sub II entered into the Merger Agreement and Danaher, Newco and NetScout entered into the Distribution Agreement. In addition, Danaher, Newco, NetScout and certain of their respective affiliates have entered into, or will enter into, various ancillary agreements in connection with the Transactions. These agreements, which are described in greater detail in this document, govern the relationship among Danaher, Newco, NetScout and their respective affiliates after the Separation, the Distribution and the Mergers.

Immediately after the Distribution and on the closing date of the Mergers, Merger Sub will merge with and into Newco, whereby the separate corporate existence of Merger Sub will cease and Newco will continue as the surviving

company and as a wholly-owned subsidiary of NetScout. Afterwards, Newco will merge with and into Merger Sub II, whereby the separate corporate existence of Newco will cease and Merger Sub II will continue as the surviving company and as a wholly-owned subsidiary of NetScout. After the Mergers, NetScout will own and operate the Communications Business through Merger Sub II and will also continue its current businesses. All shares of NetScout common stock, including those issued in the First Merger, will be listed on NASDAQ under NetScout's current trading symbol NTCT.

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**Q: What are NetScout's reasons for pursuing the Transactions described in this proxy statement?**

A: The board of directors of NetScout considered the following factors as generally supporting its decision to approve the Merger Agreement and recommend that NetScout stockholders approve the issuance of shares of NetScout common stock in the First Merger:

***Advances Strategic Objectives.*** The acquisition advances NetScout's strategic objectives of expanding its product portfolio across service assurance and performance analytics, business intelligence and cyber security solutions for communications service providers and large and small enterprises, and government organizations. Consequently, NetScout believes that the acquisition will enhance its ability to create long-term value for its stockholders, including by providing the following benefits:

The acquisition enables NetScout to grow to a combined non-GAAP annual revenue base of more than \$1.2 billion with an expanded range of complementary products, which is expected to position NetScout to drive strong revenue growth and improved profitability over the long term. Over the long term, NetScout management believes that the combined company will be capable of growing revenue at an approximate compounded annual growth rate of 10 percent.

The acquisition increases NetScout's addressable market and broadens both its service provider and enterprise customer base. The acquisition significantly expands NetScout's total addressable market to more than \$8 billion. International Data Corporation (IDC) estimated that spending on network and application performance management solutions, NetScout's core market prior to the acquisition, was approximately \$5.0 billion in 2013. However, NetScout did not have the requisite offerings to fully address key segments within its core market. The acquisition provides NetScout with new capabilities to fill gaps in its product portfolio and target parts of these markets that were previously not available to NetScout such as radio access network optimization and the low-mid tier of the enterprise network performance management market. Additionally, the acquisition enables NetScout to enter the cyber security market and further enhance its capabilities in the advanced analytics (business intelligence) market, in which such markets global spending was estimated by IDC to be over \$3 billion in 2013.

The acquisition of the Tektronix Communications business provides NetScout with broader access to service provider customers.

The acquired portions of the Fluke Networks Enterprise business allow NetScout to expand into serving mid-tier and smaller enterprise customers.

The acquisition of Arbor Networks allows NetScout to immediately enter the cyber intelligence and cyber security market.

NetScout will gain complementary, award-winning technologies, capabilities and offerings that can better position it to deliver high-value products and services.

NetScout will expand its geographical footprint outside of North America.

The combined company is expected to have more than 35% of the workforce composed of research and development personnel.

**Cost Synergies.** NetScout expects to achieve initial annualized run-rate cost synergies of approximately five percent of the combined cost base, or approximately \$45 to \$55 million within two years from the consummation of the Transactions as a result of increased size, economies of scale, and elimination of redundancies after the Transactions. NetScout expects to generate additional cost synergies in subsequent years by using common infrastructure platforms, and by eliminating or reducing expenses associated with programs and capabilities already in place as NetScout aligns its go-to-market and related support programs and initiatives. However, the magnitude and timing of such synergies has yet to be determined. NetScout's initial estimates of cost synergies were based on NetScout's prior experience in integrating acquired companies and an analysis of the cost base of NetScout and the Communications Business. NetScout anticipates that a significant portion of the initial cost savings will

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result from improved gross margins due to improved purchasing power, rationalization of consulting and support services, and opportunities for the combined company to sell lower cost of goods sold products. The remainder of the initial cost savings will be realized as a result of operating expense reduction from sales force rationalization and product roadmap integration.

**Accretive Transaction.** NetScout expects the Transactions to be accretive on a non-GAAP basis in the first full year of operations.

**Transaction Terms and Other Considerations.** The board of directors of NetScout also considered the other facts about the Transactions and combined company, such as the fixed share nature of the merger consideration, that the Merger Agreement and the consideration to be paid by NetScout was the result of extensive arm's-length negotiations, that the Transaction would not require NetScout to deplete cash resources or incur debt, the opinion, dated October 12, 2014, of RBC Capital Markets, LLC ( "RBC Capital Markets" ) to NetScout's board of directors as to the fairness, from a financial point of view and as of such date, to NetScout of the merger consideration to be paid by NetScout in the First Merger, the modest changes to NetScout's governance structure and the ability of the board of directors of NetScout, subject to the payment of a termination fee, to withdraw or modify its recommendation to the NetScout stockholders to approve the issuance of the NetScout common stock in the First Merger in certain circumstances.

**Q: What are the key steps of the Transactions?**

A: Below is a step-by-step list illustrating the material events relating to the Separation, the Distribution and the Mergers. Each of these events is discussed in more detail elsewhere in this proxy statement.

1. **Step #1 Internal Restructuring; The Separation.** Prior to the Distribution and the First Merger, Danaher will convey to Newco or one or more subsidiaries of Newco certain assets and liabilities constituting the Communications Business, including certain subsidiaries of Danaher, and will cause any applicable subsidiary of Newco to convey to Danaher or its designated subsidiary (other than Newco or any of Newco's subsidiaries) its specified excluded assets and excluded liabilities.
2. **Step #2 The Distribution Exchange Offer and/or Spin-Off.** On the closing date of the Mergers, Danaher will distribute 100% of the Newco common units to Danaher stockholders either through an exchange offer followed by, in the event the exchange offer is not fully subscribed, a spin-off distribution or in a spin-off distribution not including an exchange offer. Danaher expects for the Distribution to be effected through an exchange offer, but the ultimate structure selected will be based on market conditions. In the exchange offer, Danaher will offer its stockholders the option to exchange all or a portion of their shares of Danaher common stock for Newco common units. In the event the exchange offer is not fully subscribed, Danaher will distribute the remaining Newco common units owned by Danaher on a pro rata basis to Danaher stockholders whose shares of Danaher common stock remain outstanding after consummation of the exchange offer.
3. **Step #3 The Mergers.** In the First Merger, Merger Sub will be merged with and into Newco, with Newco surviving as a wholly-owned subsidiary of NetScout. Immediately thereafter, in the Second

Merger, Newco will be merged with and into Merger Sub II, with Merger Sub II surviving as a wholly-owned subsidiary of NetScout. In the First Merger, each outstanding Newco common unit (except Newco common units held by Danaher, Newco, NetScout or Merger Sub) will be converted into the right to receive a number of shares of NetScout common stock equal to (x) 62.5 million shares of NetScout common stock plus the product of (A) 1.46 multiplied by (B) the number of shares of NetScout common stock issued in any acquisition after the date of the Merger Agreement and prior to the effective time of the First Merger, divided by (y) the aggregate number of Newco common units issued and outstanding as of immediately prior to the effective time of the First Merger.



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**Table of Contents****Q: Why will the ownership of NetScout following the first merger between Danaher stockholders and NetScout stockholders be approximately 59.5% and 40.5%, respectively?**

A: Immediately after the First Merger, Danaher stockholders will collectively own approximately 59.5% of NetScout common stock on a fully-diluted basis and NetScout stockholders will collectively own approximately 40.5% of NetScout common stock on a fully-diluted basis (subject to adjustment in limited circumstances as provided in the Merger Agreement). The ownership of NetScout following the First Merger was the result of a negotiated value exchange between Danaher and NetScout, which was based upon each party's valuations, prior to the First Merger, of NetScout and the Communications Business. The proposed Transactions are structured as a Reverse Morris Trust acquisition, which is intended to allow a parent company (here, Danaher) to distribute a subsidiary or a business (here, Newco and the Communications Business) in a tax-efficient manner. The first step of such a transaction is the distribution through a dividend (a spin-off), exchange (a split-off) or a combination of a spin-off and split-off of the subsidiary stock to or with the parent company stockholders that is intended to qualify under Section 355 of the Code. The distributed subsidiary then merges with the acquiring third party (here, Merger Sub, a wholly-owned subsidiary of NetScout) in a reorganization that is intended to qualify under Section 368 of the Code. Such a transaction can qualify as tax-free for U.S. federal income tax purposes for the parent company, its stockholders and the acquiring third party's stockholders if the transaction structure meets all applicable requirements, including that the parent company stockholders own more than 50% of the stock of the combined entity immediately after the merger. Therefore, in order to meet all applicable requirements of the Code, Danaher stockholders must own more than 50% of the NetScout common stock outstanding immediately following the First Merger.

**Q: What are the material U.S. federal income tax consequences to NetScout and NetScout's stockholders resulting from the Transactions?**

A: NetScout will not recognize any gain or loss for U.S. federal income tax purposes as a result of the Mergers. Because NetScout stockholders will not participate in the Distribution or the Mergers, NetScout stockholders will generally not recognize gain or loss upon either the Distribution (including the exchange offer) or the Mergers. **NetScout stockholders should consult their own tax advisor for a full understanding of the tax consequences to them of the Distribution and the Mergers.** The material U.S. federal income tax consequences of the Distribution and the Mergers are described in more detail in the section of the document entitled "The Transactions Material U.S. Federal Income Tax Consequences of the Transactions."

**Q: What will NetScout stockholders receive in the Mergers?**

A: NetScout stockholders will not directly receive any consideration in the Mergers. All shares of NetScout common stock issued and outstanding immediately before the Mergers will remain issued and outstanding after consummation of the Mergers. Immediately after the Mergers, NetScout stockholders will continue to own shares in NetScout, which will include the Communications Business.

**Q: What is the estimated total value of the consideration to be paid by NetScout in the Transactions?**

A: In the Mergers, NetScout expects to issue approximately 62.5 million shares of NetScout common stock, assuming no adjustment pursuant to the Merger Agreement. Based upon the reported closing sale price of \$[ ] per share for NetScout common stock on NASDAQ on [ ], the total value of the shares expected to be issued by NetScout would have been approximately \$[ ] billion. The value of the consideration to be paid by NetScout in the Mergers will fluctuate with the market price of NetScout common stock until the Mergers are consummated.

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**Q: What are the principal adverse consequences of the Transactions to NetScout stockholders?**

A: Following the consummation of the Transactions, NetScout stockholders will participate in a company that holds the Communications Business, but their percentage interest in this company will be diluted. Immediately after the consummation of the Mergers, pre-First Merger NetScout stockholders are expected to own approximately 40.5% of NetScout common stock. Under limited circumstances described in the section of this document entitled "The Merger Agreement - Merger Consideration," pre-First Merger NetScout stockholders could own less than approximately 40.5% of NetScout common stock following the consummation of the Mergers and under such circumstances, there is no minimum percentage of NetScout common stock that pre-First Merger NetScout stockholders may own. Therefore, the voting power represented by the shares held by pre-First Merger NetScout stockholders will be lower immediately following the Mergers than immediately prior to the First Merger. In addition, in the event that the Distribution is structured as an exchange offer, Danaher stockholders that participate in the exchange offer will be exchanging their shares of Danaher common stock for Newco common units at a discount to the per-share value of NetScout common stock. The existence of a discount, along with the issuance of shares of NetScout common stock pursuant to the First Merger, may negatively affect the market price of NetScout common stock. NetScout also expects to incur significant one-time costs in connection with the Transactions, including advisory, legal, accounting and other professional fees related to the Transactions, transition and integration expenses, such as consulting professionals' fees, information technology implementation costs and relocation costs, that NetScout management believes are necessary to realize anticipated annualized cost synergies. The incurrence of these costs may have an adverse impact on NetScout's liquidity or operating results in the periods in which they are incurred. Finally, NetScout will be required to devote a significant amount of time and attention to the process of integrating the operations of NetScout and the Communications Business. If NetScout is not able to effectively manage the process, NetScout's business could suffer and its stock price may decline. In addition, the market price of NetScout common stock could decline as a result of sales of a large number of shares of NetScout common stock in the market after the consummation of the Transactions or even the perception that these sales could occur. See "Risk Factors" for a further discussion of the material risks associated with the Transactions.

**Q: What is NetScout's dividend policy?**

A: NetScout currently intends to retain its future earnings, if any, to finance the development and expansion of its business and is limited in its ability to pay cash dividends under the terms of its current credit facility. Therefore, NetScout does not intend to pay cash dividends on its common stock for the foreseeable future. Any future determination to pay dividends will be at the discretion of NetScout's board of directors and will depend on NetScout's financial condition, results of operations and capital requirements, restrictions contained in any financing instruments and such other factors as the NetScout board of directors deems relevant.

**Q: What will Danaher stockholders receive in the Transactions?**

A: If the Distribution is structured as an exchange offer, Danaher will offer to Danaher stockholders the right to exchange all or a portion of their shares of Danaher common stock for Newco common units. In the event

the exchange offer is not fully subscribed, Danaher will distribute in the spin-off the remaining Newco common units owned by Danaher on a pro rata basis to Danaher stockholders whose shares of Danaher common stock remain outstanding after the consummation of the exchange offer. If the Distribution is structured as a spin-off not including an exchange offer, Danaher will distribute in the spin-off the Newco common units owned by Danaher on a pro rata basis to Danaher stockholders. In the First Merger, the Newco common units will be converted into the right to receive NetScout common stock. Thus, each Danaher stockholder will ultimately receive shares of NetScout common stock in the Distribution and the First Merger. Danaher stockholders will not be required to pay for the Newco common units distributed in the spin-off or the shares of NetScout common stock issued in the

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First Merger. If the Distribution is structured as an exchange offer, Danaher stockholders will receive cash from the exchange offer agent in lieu of any fractional shares of NetScout common stock to which such stockholders would otherwise be entitled. All shares of NetScout common stock issued in the First Merger will be issued in book entry form. Calculated based on the number of outstanding shares and the closing price on NASDAQ of NetScout common stock as of [ ], 2015, the shares of NetScout common stock that NetScout expects to issue to Danaher stockholders as a result of the Transactions would have had a market value of approximately \$[ ] billion in the aggregate (the actual value will not be known until the closing date of the Mergers). For more information, see The Transactions The Separation and Distribution, The Transactions The Mergers, and The Transactions Calculation of the Merger Consideration.

**Q: Are there any conditions to the consummation of the Transactions?**

A: Yes. Consummation of the Transactions is subject to a number of conditions, including:

the approval of NetScout's stockholders of the issuance of shares of NetScout common stock in the First Merger;

the receipt by Danaher of the IRS ruling (unless Danaher has not obtained the IRS ruling by June 30, 2015, in which case the condition will be considered waived);

the receipt by Danaher of the Tax Opinion;

the completion of the various transaction steps contemplated by the Merger Agreement and the Distribution Agreement, including the Separation and the Distribution;

termination of any waiting period applicable to the Mergers under applicable antitrust or competition laws in the United States;

the absence of any Material Adverse Effect (as this term is described in the section of this document entitled The Merger Agreement Representations and Warranties ) with respect to NetScout or the Newco Companies; and

other customary conditions.

If NetScout waives the satisfaction of a material condition to the consummation of the Transactions, NetScout will evaluate the appropriate facts and circumstances at that time and resolicit stockholder approval of the issuance of shares of NetScout common stock in the First Merger if required to do so by law.

This proxy statement describes these conditions in more detail under The Merger Agreement Conditions to the Merger.

**Q: When will the Transactions be completed?**

A: NetScout and Danaher are working to complete the Mergers as quickly as possible after satisfaction of the closing conditions, including receipt of applicable regulatory approvals and receipt of NetScout stockholder approval. In addition, other important conditions to the closing of the Separation and the Mergers exist, including, among other things, the completion of the internal restructuring necessary to separate Danaher's communications assets and liabilities from Danaher's other business, the receipt of the IRS ruling unless Danaher has not obtained the IRS ruling by June 30, 2015, in which case the condition will be considered waived, and the receipt of the Tax Opinion. It is possible that factors outside NetScout's and Danaher's control could require Danaher to complete the Separation and the Distribution and NetScout and Danaher to complete the Mergers at a later time or not complete them at all. For a discussion of the conditions to the Separation and the Mergers, see "The Transactions Regulatory Approvals" beginning on page 125, "The Merger Agreement Conditions to the Merger" beginning on page 140, and "The Distribution Agreement Conditions to the Separation" beginning on page 149.

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**Q: When is the termination date of the Merger Agreement?**

A: Subject to specified qualifications and exceptions, either Danaher or NetScout may terminate the Merger Agreement at any time prior to the consummation of the First Merger if the First Merger has not been consummated by October 12, 2015.

**Q: Are there risks associated with the Transactions?**

A: Yes. The material risks and uncertainties associated with the Transactions are discussed in the section entitled "Risk Factors" beginning on page 31 and the section entitled "Cautionary Statement Concerning Forward-Looking Statements" beginning on page 38. Those risks include, among others, the possibility that NetScout may fail to realize the anticipated benefits of the Mergers, the uncertainty that NetScout will be able to integrate the Communications Business successfully, the possibility that NetScout may be unable to provide benefits and services or access to equivalent financial strength and resources to the Communications Business that historically have been provided by Danaher, and the substantial dilution to the ownership interest of current NetScout stockholders following the consummation of the Mergers.

**Q: Will there be any change to the board of directors or the executive officers of NetScout after the Transactions?**

A: Yes. Those directors of NetScout serving on its board of directors immediately before the effective time of the First Merger are expected to continue to serve as directors of NetScout immediately following the closing of the Mergers. In addition, as of immediately following the effective time of the First Merger, NetScout will increase the size of its board of directors by one member, and one individual selected by Danaher (which individual is currently anticipated by NetScout and Danaher to be James A. Lico, Danaher's Executive Vice President) will be appointed to fill the vacancy and will, subject to the fiduciary duties of NetScout's board of directors, be nominated for re-election at the expiration of such director's initial term. However, if Danaher's designated director: (i) is unwilling or unable to serve at the effective time of the First Merger; (ii) is unwilling or unable to serve when such new term starts; or (iii) is not nominated to serve such new term, then Danaher will designate a replacement, acceptable to NetScout in its sole discretion, for such director before the effective time of the First Merger or the start of such new term, as applicable.

**Q: Will NetScout's current senior management team manage the business of NetScout after the Transactions?**

A: Yes. It is expected that NetScout's management team will remain intact for the combined business. The executive officers of NetScout immediately prior to the closing of the Mergers are expected to be the executive officers of NetScout immediately following the closing of the Mergers. The Merger Agreement provides that NetScout and Newco will take all necessary action to appoint certain specified individuals to management positions at NetScout or Newco as of the effective time of the Mergers.

**Q: What stockholder approvals are needed in connection with the Transactions?**

A: NetScout cannot complete the Transactions unless the proposal relating to the issuance of shares of NetScout common stock in the First Merger is approved by the affirmative vote of a majority of the shares of NetScout common stock represented and voting at the special meeting, either in person or by proxy (assuming a quorum is present). NetScout intends to hold its stockholder meeting as promptly as possible. No vote of Danaher stockholders is required or being sought in connection with the Transactions.



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**Q: Where will the NetScout shares issued in connection with the Mergers be listed?**

A: NetScout common stock is listed on NASDAQ under NTCT. After consummation of the Transactions, all shares of NetScout common stock issued in the Mergers, and all other outstanding shares of NetScout common stock, will continue to be listed on NASDAQ.

**Q: What is the current relationship between Newco and NetScout?**

A: Newco is currently a wholly-owned subsidiary of Danaher and was formed as a Delaware limited liability company in September 29, 2014 to effectuate the Separation, the Distribution and the Mergers. Other than in connection with the Transactions, there is no relationship between Newco and NetScout.

**Q: Have any NetScout stockholders already agreed to vote for the issuance of shares of NetScout common stock in the First Merger?**

A: Anil K. Singhal, NetScout's Chief Executive Officer, has agreed with Danaher to vote the shares of NetScout common stock that he owns, representing approximately [ ]% of the outstanding shares of NetScout common stock as of [ ], 2015, in favor of the issuance of shares of NetScout common stock. In addition, Danaher intends to vote the shares of NetScout common stock that Danaher owns, representing approximately [ ]% of the outstanding shares of NetScout common stock as of [ ], 2015, in favor of the issuance of shares of NetScout common stock in the First Merger.

**Q: Do Danaher stockholders have to vote to approve the Transactions?**

A: No.

**Q: How does the NetScout board of directors recommend stockholders vote?**

A: The NetScout board of directors recommends that the stockholders of NetScout vote **FOR** approval of the issuance of shares of NetScout common stock in the First Merger and, if necessary or appropriate, **FOR** the adjournment or postponement of the special meeting to solicit additional proxies if there are not sufficient votes at the time of the special meeting to approve the issuance of shares of NetScout common stock in the First Merger.

**Q: How can NetScout stockholders cast their vote?**

A: The procedures for voting are fairly simple:

*Holder of Record*

NetScout holders of record may vote in person at the special meeting, vote by proxy over the telephone, vote by proxy through the internet, or vote by proxy by mail using the enclosed proxy card. Whether or not NetScout stockholders plan to attend the meeting, we urge each NetScout stockholder to vote by proxy to ensure its vote is counted. A NetScout stockholder may still attend the meeting in person even if it has already voted by proxy.

To vote in person, a NetScout stockholder should come to the special meeting and we will give it ballot when it arrives.

To vote using the proxy card, simply complete, sign and date the enclosed proxy card and return it promptly by mail in the envelope provided. If a NetScout stockholder returns a signed proxy card to us before the special meeting, we will vote that NetScout stockholder's shares as directed.

To vote over the telephone, dial the toll-free number specified on the enclosed proxy card using a touch-tone phone and follow the recorded instructions. NetScout stockholders will be asked to provide the company number and control number from the proxy card. Telephone votes must be received by 11:59 p.m. Eastern Time on [ ] to be counted.

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To vote through the internet, go to the website specified on the enclosed proxy card to complete an electronic proxy card. NetScout stockholders will be asked to provide the company number and control number from the proxy card. Internet votes must be received by 11:59 p.m. Eastern time on [ ] to be counted.

### *Beneficial Owner*

If a NetScout stockholder is a beneficial owner of shares registered in the name of a bank, broker or other nominee, that NetScout stockholder should have received a notice containing voting instructions from that organization rather than from NetScout. A NetScout stockholder should simply follow the voting instructions to ensure that its vote is counted. Alternatively, a NetScout stockholder may vote by telephone or over the internet as instructed by its bank, broker or other nominee. To vote in person at the special meeting, a NetScout stockholder must obtain a valid proxy from its bank, broker or other nominee. A NetScout stockholder should follow the instructions from its bank, broker or other nominee included with these proxy materials, or contact its bank, broker or other nominee to request a proxy form.

### **Q: How is a quorum determined?**

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

To determine a quorum, NetScout includes abstentions and broker non-votes. Broker non-votes occur when a beneficial owner does not give instructions to the broker, bank or other nominee as to how to vote on matters deemed non-routine. A NetScout stockholder's shares will be counted towards the quorum only if such stockholder submits a valid proxy or one is submitted on such stockholder's behalf by such stockholder's bank, broker or other nominee or if such NetScout stockholder votes in person at the meeting. If there is no quorum, the meeting may adjourn to another date.

### **Q: What if a NetScout stockholder does not vote on the issuance of shares of NetScout common stock in the First Merger?**

A: The outcome depends on how the NetScout common stock is held and whether any vote is cast or not:

#### *Holder of Record*

if a NetScout stockholder submits a proxy to NetScout but the proxy does not indicate how it should be voted on the proposals, the proxy will be counted as a vote **FOR** the proposals;

if a NetScout stockholder submits a proxy to NetScout and the proxy indicates that the stockholder abstains from voting, it will have the same effect as a vote against the proposals;

if a NetScout stockholder fails to submit a proxy to NetScout, it will have the same effect as a vote against the proposals and that stockholder's shares will not count towards the required quorum;

*Beneficial Owner*

if a NetScout stockholder does not instruct its bank, broker or other nominee as to how to vote its shares on the proposal to approve the issuance of shares of NetScout common stock in the First Merger, the bank, broker or other nominee **may not** vote such shares on this proposal because it is a non-routine matter, and the resulting broker non-vote will have no effect on this proposal; and

if a NetScout stockholder does not instruct its bank, broker or other nominee as to how to vote its shares on the proposal to adjourn or postpone the special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the special meeting to approve the issuance of shares of NetScout common stock in the First Merger, the bank, broker or other nominee **may not** vote such shares on this proposal because it is a non-routine matter and the resulting broker non-vote will have no effect on this proposal.

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**Q: If a NetScout stockholder is not going to attend the special meeting, should that stockholder return its proxy card or otherwise vote its shares?**

A: Yes. Returning the proxy card by mail, voting by calling the toll-free number shown on the proxy card or voting instruction form, as applicable, or logging on to the website specified on the proxy card or voting instruction form, as applicable, ensures that the shares will be represented and voted at the special meeting, even if a NetScout stockholder will be unable to or does not attend.

**Q: If a NetScout stockholder's shares are held in street name through its bank, broker or other nominee, will that bank, broker or other nominee vote those shares?**

A: Banks, brokers or other nominees will vote shares of a NetScout stockholder with respect to the proposals at the special meeting only if the NetScout stockholder instructs its bank, broker or other nominee how to vote. A NetScout stockholder should follow the directions provided by its bank, broker or other nominee regarding how to instruct its bank, broker or other nominee to vote its shares. If a NetScout stockholder does not provide its bank, broker or other nominee with instructions, that bank, broker or other nominee **will not** be authorized to vote with respect to the proposal to approve the issuance of shares of NetScout common stock in the First Merger or with respect to the proposal to adjourn or postpone the special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the special meeting to approve the issuance of NetScout common stock in the First Merger.

Shares registered in the name of a bank, broker or other nominee may be voted in person at the special meeting by contacting the bank, broker or other nominee to request a letter confirming its beneficial ownership of the shares and that the bank, broker or other nominee will not vote the shares at the special meeting, and bringing that letter to the special meeting.

**Q: Can a NetScout stockholder change its vote after submitting its proxy?**

A: Yes. If a holder of record of NetScout common stock has properly completed and submitted its proxy card, the NetScout stockholder can change its vote in any of the following ways:

by sending a signed notice of revocation to the Secretary of NetScout that is received prior to the special meeting stating that the NetScout stockholder revokes its proxy;

by properly completing a new proxy card bearing a later date and properly submitting it so that it is received prior to the special meeting;

by logging onto the internet website specified on the proxy card in the same manner a stockholder would to submit its proxy electronically or by calling the toll-free number specified on the proxy card prior to the special meeting, in each case if the NetScout stockholder is eligible to do so and following

the instructions on the proxy card; or

by attending the special meeting and voting in person.

Simply attending the special meeting will not revoke a proxy. In the event of multiple online or telephone votes by a stockholder, each vote will supersede the previous vote and the last vote cast will be deemed to be the final vote of the stockholder unless such vote is revoked in person at the special meeting.

If a NetScout stockholder holds shares in street name through its bank, broker or other nominee, and has directed such person to vote its shares, it should instruct such person to change its vote, or if in the alternative a NetScout stockholder wishes to vote in person at the special meeting, it must bring to the special meeting a letter from the bank, broker or other nominee confirming its beneficial ownership of the shares and that the bank, broker or other nominee is not voting the shares at the special meeting.

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**Q: What should NetScout stockholders do now?**

A: After carefully reading and considering the information contained in this document, NetScout stockholders should vote their shares as soon as possible so that their shares will be represented and voted at the NetScout special meeting. NetScout stockholders should follow the instructions set forth on the enclosed proxy card (or on the voting instruction form provided by the record holder if their shares are held in the name of a bank, broker or other nominee). **The NetScout board of directors recommends that the stockholders of NetScout vote FOR approval of the issuance of shares of NetScout common stock in the First Merger, and, if necessary or appropriate, FOR the adjournment or postponement of the special meeting to solicit additional proxies if there are not sufficient votes at the time of the special meeting to approve the issuance of shares of NetScout common stock in the First Merger.**

**Q: Can NetScout stockholders dissent and require appraisal of their shares?**

A: No.

**Q: Will the instruments that govern the rights of NetScout stockholders with respect to their shares of NetScout common stock after the Transactions be different from those that govern the rights of current NetScout stockholders?**

A: No. The rights of NetScout stockholders with respect to their shares of NetScout common stock after the consummation of the Transactions will continue to be governed by federal and state laws and NetScout's governing documents, including:

the corporate law of the State of Delaware, including the Delaware General Corporation Law (the DGCL );

the Third Amended and Restated Certificate of Incorporation of NetScout Systems, Inc. (the NetScout Charter ); and

the Amended and Restated Bylaws of NetScout Systems, Inc. (the NetScout Bylaws ).

**Q: Who can answer my questions?**

A: If NetScout stockholders have any questions about the Transactions or the special meeting, need assistance in voting their shares or need additional copies of this document, the proxy card or voting instruction form, they should contact:

Innisfree M&A Incorporated

Edgar Filing: NETSCOUT SYSTEMS INC - Form PRER14A

501 Madison Avenue, 20<sup>th</sup> floor

New York, New York 10022

Shareholders may call toll free: (888) 750-5834

Banks and Brokers may call collect: (212) 750-5833

Or

NetScout Systems, Inc.

310 Littleton Road

Westford, Massachusetts 01886

Attention: Investor Relations

Telephone: (978) 614-4000

**Q: Where can I find more information about NetScout and the Communications Business?**

A: NetScout stockholders can find more information about NetScout and the Communications Business in the sections of this document entitled **Information on NetScout**, **Information on the Communications Business** and from the various sources described in the section of this document entitled **Where You Can Find More Information; Incorporation by Reference**.



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**SUMMARY**

*The following summary contains certain information described in more detail elsewhere in this document. It does not contain all the details concerning the Transactions, including information that may be important to you. To better understand the Transactions, you should carefully review this entire document and the documents it refers to. See Where You Can Find More Information; Incorporation by Reference.*

**The Companies**

*NetScout Systems, Inc.*

NetScout Systems, Inc.

310 Littleton Road

Westford, Massachusetts 01886

Telephone: (978) 614-4000

NetScout was founded in 1984 and is headquartered in Westford, Massachusetts. NetScout is an industry leader for advanced network, application and service assurance solutions, providing high-quality performance analytics and operational intelligence solutions that facilitate the evolution toward new computing paradigms, including virtualization, mobility and cloud. NetScout designs, develops, manufactures, markets, licenses, sells and supports products focused on assuring service delivery quality, performance and availability for some of the world's largest, most demanding and complex internet protocol (IP) based service delivery environments. NetScout manufactures and markets these products in integrated hardware and software solutions that are used by commercial enterprises, large governmental agencies and telecommunication service providers worldwide.

*RS Merger Sub I, Inc.*

RS Merger Sub I, Inc.

c/o NetScout Systems, Inc.

310 Littleton Road

Westford, Massachusetts 01886

Telephone: (978) 614-4000

RS Merger Sub I, Inc., a Delaware corporation referred to in this document as Merger Sub, is a newly formed, direct wholly-owned subsidiary of NetScout that was organized specifically for the purpose of completing the Mergers. Merger Sub has engaged in no business activities to date and it has no material assets or liabilities of any kind, other than those incident to its formation and in connection with the Transactions.

*RS Merger Sub II, LLC*

RS Merger Sub II, LLC

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c/o NetScout Systems, Inc.

310 Littleton Road

Westford, Massachusetts 01886

Telephone: (978) 614-4000

RS Merger Sub II, LLC, a Delaware limited liability company referred to in this document as Merger Sub II, is a newly formed, direct wholly-owned subsidiary of NetScout that was organized specifically for the purpose of completing the Mergers. Merger Sub II has engaged in no business activities to date and it has no material assets or liabilities of any kind, other than those incident to its formation and in connection with the Transactions.

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*Danaher Corporation*

Danaher Corporation

2200 Pennsylvania Ave., NW Suite 800W

Washington, DC 20037-1701

Telephone: (202) 828-0850

Danaher Corporation, referred to as Danaher, designs, manufactures and markets professional, medical, industrial and commercial products and services, which are typically characterized by strong brand names, innovative technology and major market positions. Danaher's research and development, manufacturing, sales, distribution, service and administrative facilities are located in more than 50 countries. For the 2013 fiscal year, Danaher had sales of over \$19.11 billion and approximately 66,000 employees employed globally. Danaher operates its business in five segments: Test & Measurement, Environmental, Life Sciences & Diagnostics, Dental and Industrial Technologies.

*Potomac Holding LLC*

Potomac Holding LLC

c/o Danaher Corporation

2200 Pennsylvania Ave., NW Suite 800W

Washington, DC 20037-1701

Telephone: (202) 828-0850

Potomac Holding LLC, a Delaware limited liability company referred to in this document as Newco, is a newly formed, direct wholly-owned subsidiary of Danaher that was organized specifically for the purpose of effecting the Separation. Newco has engaged in no business activities to date and it has no material assets or liabilities of any kind, other than those incident to its formation and those incurred in connection with the Transactions.

Newco is a holding company. In the Transactions, Danaher will transfer the assets and liabilities related to the Communications Business, including certain subsidiaries of Danaher, to Newco or one of its subsidiaries. In exchange therefor, Danaher will receive all the issued and outstanding Newco common units. The Communications Business is the communications group business of Danaher conducted under the brands Tektronix Communications, Fluke Networks and Arbor Networks, and including Newco and its subsidiaries; provided, however, that the Communications Business excludes Danaher's data communications cable installation business and its communication service provider (field and test tools systems) business. For the fiscal year ended December 31, 2013, the Communications Business generated total sales of \$834,891,000 and net earnings of \$83,806,000.

**The Transactions**

On October 12, 2014, NetScout and Danaher agreed to enter into Transactions to effect the transfer of the Communications Business to NetScout. These Transactions provide for the Separation and the Distribution of the Communications Business and the subsequent mergers of (a) Merger Sub with and into Newco, with Newco surviving

as a wholly-owned subsidiary of NetScout and (b) Newco with and into Merger Sub II, with Merger Sub II surviving as a wholly-owned subsidiary of NetScout. In order to effect the Separation, the Distribution and the Mergers, Danaher, Newco, NetScout, Merger Sub and Merger Sub II entered into the Merger Agreement and Danaher, Newco and NetScout entered into the Distribution Agreement. In addition, Danaher, Newco, NetScout and certain of their respective affiliates have entered into, or will enter into, various ancillary agreements in connection with the Transactions. These agreements, which are described in greater detail in this document, govern the relationship among Danaher, Newco, NetScout and their respective affiliates after the Separation, the Distribution and the Mergers.

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Immediately after the Distribution and on the closing date of the Mergers, Merger Sub will merge with and into Newco, whereby the separate corporate existence of Merger Sub will cease and Newco will continue as the surviving company and as a wholly-owned subsidiary of NetScout. Afterwards, Newco will merge with and into Merger Sub II, whereby the separate corporate existence of Newco will cease and Merger Sub II will continue as the surviving company and as a wholly-owned subsidiary of NetScout. After the Mergers, NetScout will own and operate the Communications Business through Merger Sub II and will also continue its current businesses. All shares of NetScout common stock, including those issued in the First Merger, will be listed on NASDAQ under NetScout's current trading symbol NTCT.

***Transaction Timeline***

Below is a step-by-step list illustrating the material events relating to the Separation, the Distribution and the Mergers. Each of these events is discussed in more detail elsewhere in this document.

**Step #1 Internal Restructuring; The Separation.** Prior to the Distribution and the First Merger, Danaher will convey to Newco or one or more subsidiaries of Newco certain assets and liabilities constituting the Communications Business, including certain subsidiaries of Danaher, and will cause any applicable subsidiary of Newco to convey to Danaher or its designated subsidiary (other than Newco or any of Newco's subsidiaries) its specified excluded assets and excluded liabilities.

**Step #2 The Distribution Exchange Offer and/or Spin-Off.** On the closing date of the Mergers, Danaher will distribute 100% of the Newco common units to Danaher stockholders either through an exchange offer followed by, in the event the exchange offer is not fully subscribed, a spin-off distribution or in a spin-off distribution not including an exchange offer. Danaher expects for the Distribution to be effected through an exchange offer, but the ultimate structure selected will be based on market conditions. In the exchange offer, Danaher will offer its stockholders the option to exchange all or a portion of their shares of Danaher common stock for Newco common units. In the event the exchange offer is not fully subscribed, Danaher will distribute the remaining Newco common units owned by Danaher on a pro rata basis to Danaher stockholders whose shares of Danaher common stock remain outstanding after consummation of the exchange offer.

**Step #3 The Mergers.** In the First Merger, Merger Sub will be merged with and into Newco, with Newco surviving as a wholly-owned subsidiary of NetScout. Immediately thereafter, in the Second Merger, Newco will be merged with and into Merger Sub II, with Merger Sub II surviving as a wholly-owned subsidiary of NetScout. In the First Merger, each outstanding Newco common unit (except Newco common units held by Danaher, Newco, NetScout or Merger Sub) will be converted into the right to receive a number of shares of NetScout common stock equal to (x) 62.5 million shares of NetScout common stock plus the product of (A) 1.46 multiplied by (B) the number of shares of NetScout common stock issued in any acquisition after the date of the Merger Agreement and prior to the effective time of the First Merger, divided by (y) the aggregate number of Newco common units issued and outstanding as of immediately prior to the effective time of the First Merger.

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Set forth below are diagrams that graphically illustrate, in simplified form, the existing corporate structure, the corporate structure immediately following the Separation and Distribution but before the First Merger, the corporate structure immediately following the consummation of the First Merger, and the corporate structure immediately following the consummation of the Second Merger.

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***The Separation and the Distribution***

Prior to the First Merger, pursuant to the terms of the Distribution Agreement, Danaher will convey to Newco or one or more subsidiaries of Newco certain assets and liabilities constituting the Communications Business, and will cause any applicable subsidiary of Newco to convey to Danaher or its designated subsidiary (other than Newco or any of Newco's subsidiaries) certain excluded assets and excluded liabilities, in order to separate and consolidate the Communications Business under Newco. Immediately thereafter, Danaher will contribute all the equity interests in each subsidiary of Newco to Newco in exchange for a number of common units representing limited liability company interests in Newco, referred to herein as the Newco common units.

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On the closing date of the Mergers, Danaher will distribute 100% of the Newco common units to Danaher stockholders through either an exchange offer followed by, in the event the exchange offer is not fully subscribed, a spin-off distribution or in a spin-off distribution not including an exchange offer. In the case of an exchange offer, Danaher will offer its stockholders the option to exchange all or a portion of their shares of Danaher common stock for Newco common units. In the event the exchange offer is not fully subscribed, Danaher will distribute the remaining Newco common units owned by Danaher on a pro rata basis to Danaher stockholders whose shares of Danaher common stock remain outstanding after consummation of the exchange offer. If the Distribution is structured as a spin-off not including an exchange offer, Danaher will distribute in the spin-off the Newco common units owned by Danaher on a pro rata basis to Danaher stockholders.

An agent appointed by Danaher will hold, for the account of the relevant Danaher stockholders, the global certificate(s) representing all of the outstanding Newco common units pending the consummation of the First Merger. Newco common units will not be traded during this period.

***The Mergers; Merger Consideration***

Under the Merger Agreement and in accordance with the DGCL and the DLLCA, at the effective time of the First Merger, Merger Sub will merge with and into Newco. As a result of the First Merger, the separate corporate existence of Merger Sub will terminate and Newco will continue as the surviving company and as a wholly-owned subsidiary of NetScout and will succeed to and assume all the rights, powers and privileges and be subject to all of the obligations of Merger Sub in accordance with the DGCL and the DLLCA. The certificate of formation and the limited liability company operating agreement of Newco in effect immediately prior to the First Merger will be amended and restated in their entirety following the consummation of the First Merger. Immediately following the First Merger, Newco will merge with and into Merger Sub II. As a result of the Second Merger, the separate corporate existence of Newco will terminate and Merger Sub II will continue as the surviving company and as a wholly-owned subsidiary of NetScout and will succeed to and assume all the rights, powers and privileges and be subject to all of the obligations of Newco in accordance with the DLLCA.

The Merger Agreement provides that, at the effective time of the First Merger, each issued and outstanding Newco common unit (except Newco common units held by Danaher, NetScout, Merger Sub or Newco) will be automatically converted into a number of shares of NetScout common stock equal to (x) 62.5 million shares of NetScout common stock plus the product of (A) 1.46 multiplied by (B) the number of shares of NetScout common stock issued in any acquisition by NetScout prior to the effective time of the First Merger divided by (y) the aggregate number of Newco common units issued and outstanding immediately prior to the effective time of the First Merger. Prior to the consummation of the Distribution, Newco will authorize the issuance of a number of Newco common units such that the total number of Newco common units outstanding immediately prior to the First Merger will be that number that results in the exchange ratio in the First Merger equaling one and, as a result, each Newco common unit (except Newco common units held by Danaher, Newco, NetScout or Merger Sub) will be converted into one share of NetScout common stock in the First Merger. The calculation of the merger consideration as set forth in the Merger Agreement is expected to result, prior to the elimination of fractional shares, in Newco's members immediately prior to the merger collectively holding approximately 59.5% of the outstanding equity interests of NetScout on a fully-diluted basis immediately following the First Merger and NetScout's stockholders immediately prior to the First Merger collectively holding approximately 40.5% of such equity interests on a fully-diluted basis.

No fractional shares of NetScout common stock will be issued pursuant to the First Merger. Any holder of Newco common units who would otherwise be entitled to receive a fraction of a share of NetScout common stock (after aggregating all fractional shares issuable to such holder) shall, in lieu of such fraction of a share, be paid in cash the dollar amount (rounded to the nearest whole cent), after deducting any required withholding taxes, on a pro rata basis,



without interest, determined by multiplying such fraction by the closing price of a share of NetScout common stock on NASDAQ on the last business day prior to the closing of the First Merger.

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### **Risk Factors**

In deciding how to vote your shares, you should carefully consider the matters described in the section Risk Factors, as well as other information included in this document and the other documents to which you have been referred.

### **Board of Directors and Management of NetScout Following the Transactions**

Directors of NetScout serving on its board of directors immediately before the effective time of the First Merger are expected to continue to serve as directors of NetScout immediately following the closing of the Mergers. In addition, as of immediately following the effective time of the First Merger, NetScout will increase the size of its board of directors by one member, and one individual selected by Danaher (which individual is currently anticipated by NetScout and Danaher to be James A. Lico, Danaher's Executive Vice President) will be appointed to fill the vacancy and will, subject to the fiduciary duties of NetScout's board of directors, be nominated for re-election at the expiration of such director's initial term. However, if Danaher's designated director: (i) is unwilling or unable to serve at the effective time of the First Merger; (ii) is unwilling or unable to serve when such new term starts; or (iii) is not nominated to serve such new term, then Danaher will designate a replacement, acceptable to NetScout in its sole discretion, for such director before the effective time of the First Merger or the start of such new term, as applicable.

### **Interests of Certain Persons in the Transactions**

As of [ ], 2015, Danaher's directors and executive officers owned approximately [ ]% of the outstanding shares of Danaher's common stock and, as of such date, NetScout's directors and executive officers owned approximately [ ]% of the outstanding shares of NetScout common stock. None of NetScout's or Newco's executive officers will receive any severance or other compensation as a result of the Transactions. The directors and officers of Danaher, Newco and NetScout will receive no extra or special benefit that is not shared on a pro rata basis by all other Newco common unit holders and NetScout stockholders in connection with the Transactions. As with all holders of shares of Danaher common stock, if a director or officer of Danaher, Newco or NetScout owns shares of Danaher common stock, directly or indirectly, such person may participate in the exchange offer on the same terms as other holders of shares of Danaher common stock. As of [ ], 2015, Danaher owned approximately [ ]% of the outstanding shares of NetScout common stock.

In connection with the execution of the Merger Agreement, Steven M. Rales, Chairman of the Board of Directors of Danaher, and Mitchell P. Rales, Chairman of the Executive Committee of Danaher, delivered separate letters to NetScout, in which they each agreed not to exchange more than the number of shares of Danaher common stock in an exchange offer for Newco common units that would result (after taking into consideration any Newco common units distributed in a pro-rata spin off to Danaher stockholders in the event the exchange offer is not fully subscribed) in his receiving more than 5% of the issued and outstanding shares of NetScout common stock after giving effect to the closing under the Merger Agreement.

### **NetScout's Stockholders Vote**

NetScout cannot complete the Transactions unless the proposal relating to the issuance of shares of NetScout common stock in the First Merger is approved by the affirmative vote of a majority of the shares of NetScout common stock represented and voting at the special meeting, either in person or by proxy (assuming a quorum is present). Anil K. Singhal, NetScout's Chief Executive Officer, has agreed with Danaher to vote the shares of NetScout common stock that he owns, representing approximately [ ]% of the outstanding shares of NetScout common stock as of [ ], 2015, in favor of the issuance of shares of NetScout common stock. In addition, Danaher intends to vote the shares of NetScout common stock that Danaher owns, representing



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approximately [ ]% of the outstanding shares of NetScout common stock as of [ ], 2015, in favor of the issuance of shares of NetScout common stock in the First Merger. No vote of Danaher stockholders is required or being sought in connection with the Transactions.

### **Accounting Treatment and Considerations**

ASC 805, Business Combinations, requires the use of the acquisition method of accounting for business combinations. In applying the acquisition method, it is necessary to identify both the accounting acquiree and the accounting acquiror. In a business combination effected through an exchange of equity interests, such as the Mergers, the entity that issues the interests (NetScout in this case) is generally the acquiring entity. In identifying the acquiring entity in a combination effected through an exchange of equity interests, however, all pertinent facts and circumstances must be considered, including the following:

The relative voting interests of significant shareholders and the ability of any of those shareholders to exercise control over the consolidated entity after the Transactions. In this case, it was determined that the shareholder bases of both entities are dispersed such that no single shareholder or group of related shareholders would control the entity after the Transactions.

The composition of the governing body of NetScout after the Transactions. In this case, the board of directors of NetScout immediately following the Mergers is expected to consist of the members of the board of directors of NetScout immediately prior to the consummation of the Mergers. In addition, as of the consummation of the Mergers, NetScout will increase the size of its board of directors by one member, and one individual selected by Danaher (which individual is currently anticipated by NetScout and Danaher to be James A. Lico, Danaher's Executive Vice President) will be appointed to fill the vacancy and will, subject to the fiduciary duties of NetScout's board of directors, be nominated for re-election at the expiration of such director's initial term.

The composition of the senior management of NetScout after the Transactions. In this case, NetScout's executive officers following the Mergers are expected to consist of NetScout's executive officers immediately prior to the Mergers.

NetScout's management has determined that NetScout will be the accounting acquiror in the Mergers based on the facts and circumstances outlined above and the detailed analysis of the relevant GAAP guidance. Consequently, NetScout will apply acquisition accounting to the assets acquired and liabilities assumed of Newco upon consummation of the Mergers. Upon consummation of the Mergers, the historical financial statements will reflect only the operations and financial condition of NetScout.

### **Regulatory Approvals**

Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the HSR Act), and the rules promulgated under the HSR Act by the Federal Trade Commission, the parties must file notification and report forms with the U.S. Federal Trade Commission and the Antitrust Division of the U.S. Department of Justice and observe specified waiting period requirements before consummating the Mergers. NetScout and Danaher each filed the requisite notification and report forms with the Federal Trade Commission and the Antitrust Division on October 24, 2014. NetScout withdrew its filing on November 24, 2014 and refiled on November 26, 2014.

On December 24, 2014, NetScout received a request for additional information ( second request ) from the U.S. Department of Justice. The effect of the second request is to extend the waiting period imposed by the HSR Act until 30 days after both NetScout and Danaher have substantially complied with the request, unless that period is extended voluntarily by the parties or terminated sooner by the U.S. Department of Justice.

**Table of Contents****SUMMARY HISTORICAL AND PRO FORMA FINANCIAL DATA**

The following summary combined financial data of the Communications Business and summary consolidated financial data of NetScout are being provided to help you in your analysis of the financial aspects of the Transactions. You should read this information in conjunction with the financial information included elsewhere and incorporated by reference into this document. See [Where You Can Find More Information; Incorporation by Reference,](#)

[Management's Discussion and Analysis of Financial Condition and Results of Operations for the Communications Business,](#) [Information on the Communications Business,](#) [Information on NetScout,](#) and [Selected Financial Statement Data.](#)

**Summary Historical Combined Financial Data of the Communications Business**

Newco is a newly-formed holding company organized for the purpose of holding the Communications Business and consummating the Transactions with NetScout. The following data, insofar as it relates to each of the years 2011 through 2013, has been derived from annual financial statements, including the combined balance sheets at December 31, 2013 and December 31, 2012 and the related combined statements of earnings for each of the three years in the period ended December 31, 2013 and notes thereto appearing elsewhere herein. The data as of December 31, 2011 and as of and for the years ended December 31, 2010 and December 31, 2009 has been derived from unaudited combined financial information not included or incorporated by reference into this document. The data as of and for the nine months ended September 26, 2014 and September 27, 2013 has been derived from unaudited combined condensed financial statements included herein and is not necessarily indicative of the results or financial condition for the remainder of the year or any future period. This information is only a summary and you should read the table below in conjunction with [Management's Discussion and Analysis of Financial Condition and Results of Operations for the Communications Business](#) and the financial statements of the Communications Business and the notes thereto included elsewhere in this document (\$ in thousands).

	Nine Months Ended		Year Ended December 31				
	September 26, 2014	September 27, 2013	2013	2012	2011	2010	2009
Sales							
Product	\$ 399,191	\$ 457,285	\$ 623,632	\$ 594,770	\$ 483,782	\$ 367,141	\$ 284,095
Service	167,625	154,237	211,259	190,968	185,497	121,204	92,584
Total sales	\$ 566,816	\$ 611,522	\$ 834,891	\$ 785,738	\$ 669,279	\$ 488,345	\$ 376,679
Earnings before income taxes	51,170	112,313	116,598	157,881	106,722	43,707	8,506
Net earnings	35,194	80,128	83,806	103,798	74,371	28,028	5,571
Total assets	\$ 1,189,415	\$ 1,168,640	\$ 1,235,903	\$ 1,185,543	\$ 998,760	\$ 1,047,998	\$ 774,961

**Summary Historical Consolidated Financial Data of NetScout**

The following summary historical consolidated financial data of NetScout for the years ended March 31, 2014, 2013 and 2012, and as of such dates, has been derived from NetScout's audited consolidated financial statements as of and for the years ended March 31, 2014, 2013 and 2012. The following summary historical consolidated financial data as of and for the nine-month periods ended December 31, 2014 and 2013 has been derived from the unaudited consolidated financial statements of NetScout and is not necessarily indicative of the results or financial condition to

be expected for the remainder of the year or for any future period. NetScout's management believes that the unaudited consolidated financial statements reflect all adjustments, consisting of normal recurring

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adjustments, necessary for the results and the financial condition as of and for the interim periods presented to be fairly stated. This information is only a summary and should be read in conjunction with the financial statements of NetScout and the notes thereto and the Management's Discussion and Analysis of Financial Condition and Results of Operations section contained in NetScout's annual report on Form 10-K for the year ended March 31, 2014 and quarterly report on Form 10-Q for the period ended December 31, 2014, each of which is incorporated by reference into this document. See [Where You Can Find More Information; Incorporation by Reference](#).

	As of and for the Nine Months Ended December 31,		As of and for the Year Ended March 31,		
	2014	2013	2014	2013	2012
<b>(In thousands, except per share data)</b>					
<b>Results of Operations:</b>					
<b>Revenue:</b>					
Product	\$ 198,765	\$ 163,895	\$ 234,268	\$ 198,749	\$ 168,141
Service	135,519	120,435	162,379	151,801	140,538
<b>Total revenue</b>	<b>334,284</b>	<b>284,330</b>	<b>396,647</b>	<b>350,550</b>	<b>308,679</b>
<b>Cost of revenue:</b>					
Product	45,015	36,117	51,219	45,752	39,271
Service	26,158	24,111	33,294	28,256	26,401
<b>Total cost of revenue</b>	<b>71,173</b>	<b>60,228</b>	<b>84,513</b>	<b>74,008</b>	<b>65,672</b>
<b>Gross profit</b>	<b>263,111</b>	<b>224,102</b>	<b>312,134</b>	<b>276,542</b>	<b>243,007</b>
<b>Operating expenses:</b>					
Research and development	56,872	50,951	70,454	61,546	49,478
Sales and marketing	104,304	96,184	129,611	116,807	109,624
General and administrative	33,211	22,367	30,623	29,718	27,488
Amortization of acquired intangible assets	2,539	2,571	3,432	2,877	2,131
Restructuring charges				1,065	603
<b>Total operating expenses</b>	<b>196,926</b>	<b>172,073</b>	<b>234,120</b>	<b>212,013</b>	<b>189,324</b>
<b>Income from operations</b>	<b>66,185</b>	<b>52,029</b>	<b>78,014</b>	<b>64,529</b>	<b>53,683</b>
<b>Interest and other expense, net</b>	<b>(1,186)</b>	<b>(88)</b>	<b>(158)</b>	<b>(793)</b>	<b>(2,765)</b>
<b>Income before income tax expense</b>	<b>64,999</b>	<b>51,941</b>	<b>77,856</b>	<b>63,736</b>	<b>50,918</b>
<b>Income tax expense</b>	<b>24,661</b>	<b>19,511</b>	<b>28,750</b>	<b>23,127</b>	<b>18,490</b>
<b>Net income</b>	<b>\$ 40,338</b>	<b>\$ 32,430</b>	<b>\$ 49,106</b>	<b>\$ 40,609</b>	<b>\$ 32,428</b>
<b>Basic net income per share</b>	<b>\$ 0.98</b>	<b>\$ 0.78</b>	<b>\$ 1.19</b>	<b>\$ 0.97</b>	<b>\$ 0.77</b>
<b>Diluted net income per share</b>	<b>\$ 0.97</b>	<b>\$ 0.77</b>	<b>\$ 1.17</b>	<b>\$ 0.96</b>	<b>\$ 0.76</b>



**Financial Highlights:**

Cash, cash equivalents and short and long-term marketable securities	\$ 240,726	\$ 182,213	\$ 218,794	\$ 154,091	\$ 213,516
Total assets	\$ 638,928	\$ 577,877	\$ 607,763	\$ 552,176	\$ 567,757
Debt	\$	\$	\$	\$	\$ 62,000
Total stockholders equity	\$ 432,118	\$ 395,598	\$ 409,161	\$ 371,903	\$ 342,369

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	As of and for the Nine Months Ended December 31,		As of and for the Year Ended March 31,		
	2014	2013	2014	2013	2012
<b>(In thousands, except per share data)</b>					
<b>Cash Flow Data:</b>					
Cash from operating activities	\$ 57,322	\$ 60,767	\$ 110,946	\$ 95,412	\$ 68,307
Purchases of fixed assets	\$ (8,630)	\$ (8,709)	\$ (13,066)	\$ (11,671)	\$ (11,088)
Purchases of intangible assets	\$ (131)	\$ (713)	\$ (1,086)	\$ (277)	\$ (200)
Non-GAAP free cash flow	\$ 48,561	\$ 51,345	\$ 96,794	\$ 83,464	\$ 57,019
<b>Other Selected Data:</b>					
Weighted average common shares outstanding basic	41,128	41,417	41,366	41,665	42,035
Weighted average common shares outstanding diluted	41,679	41,969	41,955	42,322	42,750
Non-GAAP revenue(1)	\$ 334,302	\$ 284,749	\$ 397,205	\$ 351,765	\$ 308,991
Non GAAP net income(1)	\$ 56,445	\$ 43,992	\$ 64,218	\$ 56,014	\$ 46,970
Non-GAAP net income per share(1)	\$ 1.35	\$ 1.05	\$ 1.53	\$ 1.32	\$ 1.10

(1) For the reconciliation of GAAP to non-GAAP revenue, GAAP to non-GAAP net income, and GAAP to non-GAAP net income per share, see Selected Financial Statement Data Selected Historical Consolidated Financial Data of NetScout.

**Summary Unaudited Combined Pro Forma Financial Data of NetScout and the Communications Business**

The following summary unaudited pro forma combined financial information of NetScout and the Communications Business is being presented for illustrative purposes only, and this information should not be relied upon for purposes of making any investment or other decisions. The following summary unaudited pro forma combined financial data assumes that the Communications Business had been owned by NetScout for all periods, and at the date presented. NetScout and the Communications Business may have performed differently had they actually been combined for all periods or on the date presented. You should also not rely on the following summary unaudited pro forma combined financial data as being indicative of the results or financial condition that would have been achieved had NetScout and the Communications Business been combined other than during the periods or on the date presented or of the actual future results or financial condition of NetScout to be achieved following the Transactions.

	As of and for the Nine Months Ended December 31, 2014	As of and for the Year Ended March 31, 2014
	<b>(In thousands, except per share data)</b>	

**Results of Operations:**

Revenue:			
Product	\$ 594,200	\$	843,658
Service	292,322		335,931
<b>Total revenue</b>	<b>886,522</b>		<b>1,179,589</b>
Cost of revenue			
Product	205,420		282,293
Service	65,613		81,806
<b>Total cost of revenue</b>	<b>271,033</b>		<b>364,099</b>
Gross profit	615,489		815,490

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	<b>As of and for the Nine Months Ended December 31, 2014</b>	<b>As of and for the Year Ended March 31, 2014</b>
	<b>(In thousands, except per share data)</b>	
<b>Operating expenses:</b>		
Research and development	180,507	220,149
Sales and marketing	247,407	308,033
General and administrative	88,355	133,113
Amortization of acquired intangible assets	56,180	47,311
Restructuring charges		
Impairment of intangible assets		31,063
<b>Total operating expenses</b>	<b>572,449</b>	<b>739,669</b>
<b>Income from operations</b>	<b>43,040</b>	<b>75,821</b>
Total other income (expense)	(1,186)	(158)
<b>Income before income tax expense</b>	<b>41,854</b>	<b>75,663</b>
Income tax expense	12,397	16,402
<b>Net income</b>	<b>29,457</b>	<b>59,261</b>
<b>Per share information:</b>		
Basic net income per share:	\$ 0.28	\$ 0.57
Diluted net income per share:	\$ 0.28	\$ 0.57
<b>Weighted average common shares outstanding used in computing</b>		
Net income per share - Basic	103,628	103,866
Net income per share - Diluted	104,211	104,497

	<b>December 31, 2014</b>
	<b>(In thousands, except per share data)</b>
<b>Financial Highlights:</b>	
Cash and cash equivalents and short and long-term marketable securities	\$ 246,243
Total Assets	\$ 3,638,308
Debt	\$
Total stockholders' equity	\$ 2,804,669

**Summary Comparative Historical and Pro Forma Per Share Data**

The following table sets forth certain historical and pro forma per share data for NetScout. The NetScout historical data has been derived from and should be read together with NetScout's audited consolidated financial statements and

related notes thereto contained in NetScout's annual report on Form 10-K for the fiscal year ended March 31, 2014, and NetScout's unaudited consolidated financial statements and related notes thereto contained in NetScout's quarterly report on Form 10-Q for the period ended December 31, 2014, each of which are incorporated by reference into this document. The pro forma data has been derived from the unaudited pro forma combined financial statements of NetScout and the Communications Business included elsewhere in this document. See [Where You Can Find More Information; Incorporation by Reference](#).

This summary comparative historical and pro forma per share data is being presented for illustrative purposes only. NetScout and the Communications Business may have performed differently had the Transactions occurred prior to the periods or at the date presented. You should not rely on the pro forma per share data presented as being indicative of the results that would have been achieved had NetScout and the Communications

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Business been combined during the periods or at the date presented or of the actual future results or financial condition of NetScout or the Communications Business to be achieved following the Transactions.

(shares in thousands)	As of and for the Nine Months Ended December 31, 2014		As of and for the Year Ended March 31, 2014	
	Historical	Pro Forma	Historical	Pro Forma
Basic earnings per share	\$ 0.98	\$ 0.28	\$ 1.19	\$ 0.57
Diluted earnings per share	\$ 0.97	\$ 0.28	\$ 1.17	\$ 0.57
Weighted average common shares outstanding Basic	41,128	103,628	41,366	103,866
Weighted average common shares outstanding Diluted	41,679	104,211	41,955	104,497
Book value per share of common stock	\$ 10.48	\$ 27.04	\$ 9.94	Not available

**Historical Common Stock Market Price Data**

Historical market price data for Newco has not been presented because the Communications Business is currently operated by Danaher and there is no established trading market in Newco common units. Newco common units do not currently trade separately from Danaher common stock.

Shares of NetScout common stock currently trade on NASDAQ under the symbol NTCT. On October 10, 2014, the last trading day before the announcement of the Transactions, the last sale price of NetScout's common stock reported by NASDAQ was \$41.91. On [ ], 2015, the last trading day prior to the date of this document, the last sale price of NetScout common stock reported by NASDAQ was \$ [ ].

The following table sets forth for the periods indicated, the high and low sale prices of NetScout common stock on NASDAQ. The quotations are as reported in published financial sources.

	NetScout Common Stock	
	High	Low
<b>Calendar Year Ending December 31, 2015</b>		
First Calendar Quarter (through February 4, 2015)	\$ 38.30	\$ 33.53
<b>Calendar Year Ending December 31, 2014</b>		
First Calendar Quarter	\$ 39.10	\$ 28.64
Second Calendar Quarter	\$ 44.54	\$ 33.30
Third Calendar Quarter	\$ 48.13	\$ 41.15
Fourth Calendar Quarter	\$ 46.17	\$ 31.59
<b>Calendar Year Ended December 31, 2013</b>		
First Calendar Quarter	\$ 28.28	\$ 23.74
Second Calendar Quarter	\$ 24.92	\$ 21.22
Third Calendar Quarter	\$ 27.55	\$ 23.22
Fourth Calendar Quarter	\$ 30.76	\$ 24.04
<b>Calendar Year Ended December 31, 2012</b>		
First Calendar Quarter	\$ 22.49	\$ 15.72

Second Calendar Quarter	\$ 21.85	\$ 17.75
Third Calendar Quarter	\$ 26.59	\$ 18.96
Fourth Calendar Quarter	\$ 26.31	\$ 23.05

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**RISK FACTORS**

*You should carefully consider the following risks, together with the other information contained or incorporated by reference in this document and the annexes hereto. Some of the risks described below relate principally to the business and the industry in which NetScout, including the Communications Business, will operate after the Transactions, while others relate principally to the Transactions. The remaining risks relate principally to the securities markets generally and ownership of shares of NetScout common stock. For a discussion of additional uncertainties associated with forward-looking statements in this document, please see the section entitled*

*Cautionary Statement Concerning Forward-Looking Statements. In addition, you should consider the risks associated with NetScout's business that appear in NetScout's Annual Report on Form 10-K for the year ended March 31, 2014 and NetScout's Quarterly Report on Form 10-Q for the period ended December 31, 2014, which are incorporated by reference into this document.*

**Risks Related to the Transactions**

***The risk to NetScout stockholders that the calculation of the merger consideration will not be adjusted if the value of the business or assets of the Communications Business declines or if the value of NetScout increases before the Mergers are completed.***

The calculation of the number of shares of NetScout common stock to be distributed in the Mergers will not be adjusted if the value of the business or assets of the Communications Business declines prior to the consummation of the Mergers or the value of NetScout increases prior to the Mergers. NetScout will not be required to consummate the Mergers if there has been any Material Adverse Effect on the Communications Business. However, NetScout will not be permitted to terminate the Merger Agreement or resolicit the vote of NetScout stockholders because of any changes in the market prices of NetScout's common stock or any changes in the value of the Communications Business that do not constitute a Material Adverse Effect with respect to the Communications Business.

***NetScout's estimates and judgments related to the acquisition accounting models used to record the purchase price allocation may be inaccurate.***

Management will make significant accounting judgments and estimates for the application of acquisition accounting under US generally accepted accounting principles, and the underlying valuation models. NetScout's business, operating results and financial condition could be materially and adversely impacted in future periods if NetScout's accounting judgments and estimates related to these models prove to be inaccurate.

***NetScout may be required to recognize impairment charges for goodwill and other intangible assets.***

The proposed transaction will add approximately \$2.7 billion of goodwill and other intangible assets to NetScout's consolidated balance sheet. In accordance with US generally accepted accounting principles, management periodically assesses these assets to determine if they are impaired. Significant negative industry or economic trends, disruptions to NetScout's business, inability to effectively integrate acquired businesses, unexpected significant changes or planned changes in use of the assets, divestitures and market capitalization declines may impair goodwill and other intangible assets. Any charges relating to such impairments would adversely affect results of operations in the periods recognized.

***NetScout and Danaher may be unable to satisfy the conditions or obtain the approvals required to complete the Mergers or such approvals may contain material restrictions or conditions.***



The consummation of the Mergers is subject to numerous conditions, as described in this document, including (i) consummation of certain transactions contemplated by the Merger Agreement and the Distribution Agreement (such as the separation of the Communications Business from Danaher's other business) and (ii) the

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receipt of certain regulatory approvals without imposing a condition (other than as specifically set forth in the Distribution Agreement or any Ancillary Agreement) on any of NetScout, Danaher, Merger Sub or Newco to divest or agree to divest (or cause any of its subsidiaries to divest or agree to divest) any of its respective material businesses, material product lines or material assets, or to take or agree to take (or cause any of its subsidiaries to take or agree to take) any other material action or agree (or cause any of its subsidiaries to agree) to any material limitation or material restriction on any of its respective material businesses, material product lines or material assets, except as would not, or as would not reasonably be expected to, involve the divestiture of assets that generated in the aggregate more than 10% of the combined gross revenues of the Newco and its subsidiaries and the NetScout Companies for the 12 months ending June 27, 2014 (a Burdensome Condition ). Neither Danaher nor NetScout can make any assurances that the Mergers and related transactions will be consummated on the terms or timeline currently contemplated, or at all. Each of Danaher and NetScout has and will continue to expend time and resources and incur expenses related to the proposed Transactions.

Governmental agencies may not approve the Mergers or the related transactions necessary to complete the Mergers or may impose conditions to the approval of such transactions or require changes to the terms of such transactions. Any such conditions or changes could have the effect of delaying completion of the Mergers, imposing costs on or limiting the revenues of the combined company following the Mergers or otherwise reducing the anticipated benefits of the Mergers. Any condition or change which results in a Burdensome Condition on the Communications Business and/or NetScout under the Merger Agreement might cause Danaher and/or NetScout to restructure or terminate the Mergers or the related transactions.

***If completed, the Mergers may not be successful or achieve their anticipated benefits.***

If the Mergers are completed NetScout may not be able to successfully realize anticipated growth opportunities or integrate NetScout's business and operations with the Communications Business's business and operations. After the Mergers, NetScout will have significantly more revenue, expenses, assets and employees than NetScout did prior to the Mergers. In the Separation, NetScout will also be assuming certain liabilities of the Communications Business and taking on other obligations (including collective bargaining agreements and certain non-U.S. pension obligations with respect to transferred employees). NetScout may not successfully or cost-effectively integrate the Communications Business's business and operations into NetScout's existing business and operations. Even if the combined company is able to integrate the combined businesses and operations successfully, this integration may not result in the realization of the full benefits of the growth and other opportunities that NetScout currently expects from the Mergers within the anticipated time frame, or at all.

***NetScout is required to abide by potentially significant restrictions which could limit NetScout's ability to undertake certain corporate actions (such as the issuance of NetScout common stock or the undertaking of a merger or consolidation) that otherwise could be advantageous.***

To preserve the tax-free treatment to Danaher and/or its stockholders of the Distribution and certain related transactions, under the Tax Matters Agreement, NetScout is restricted from taking any action that prevents such transactions from being tax-free for U.S. federal income tax purposes. These restrictions may limit NetScout's ability to pursue certain strategic transactions or engage in other transactions, including using NetScout common stock to make acquisitions and in connection with equity capital market transactions that might increase the value of NetScout's business. See Other Agreements Tax Matters Agreement for a detailed description of these restrictions.

***The Distribution could result in significant tax liability, and NetScout may be obligated to indemnify Danaher for any such tax liability imposed on Danaher.***

Danaher will receive the Tax Opinion from Skadden to the effect that the Distribution offer will qualify as a tax-free transaction under Sections 355 and 368(a)(1)(D) of the Code and that the Mergers will qualify as a tax-free transaction under Section 368(a)(1)(A) of the Code. Assuming that the Distribution and the Mergers so

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qualify, for U.S. federal income tax purposes, no gain or loss will be recognized by a holder of Danaher common stock upon the receipt of Newco common units in the Distribution or upon the exchange of Newco common units for NetScout common stock pursuant to the First Merger other than with respect to cash received in lieu of fractional shares, and Danaher will not recognize gain or loss with respect to the transfer of Newco units pursuant to the Distribution. Danaher also intends to seek a ruling from the IRS regarding certain issues relevant to the qualification of the Distribution and certain other aspects of the Separation for tax-free treatment for U.S. federal income tax purposes.

Although the IRS ruling, if received, will generally be binding on the IRS, the continuing validity of such ruling will be subject to the accuracy of factual representations and assumptions made in the ruling request. Also, as part of the IRS's general policy with respect to rulings on spin-off and split-off transactions (including the Distribution), the IRS will not rule on the overall qualification of the transaction for tax-free treatment, but instead only on certain significant issues related thereto. As a result of this IRS policy, Danaher will obtain the opinion of counsel described above. The opinion will be based upon various factual representations and assumptions, as well as certain undertakings made by Danaher and Newco. If any of those factual representations or assumptions are untrue or incomplete in any material respect, any undertaking is not complied with, or the facts upon which the opinion will be based are materially different from the facts at the time of the Distribution, the Distribution may not qualify for tax-free treatment. Opinions of counsel are not binding on the IRS. As a result, the conclusions expressed in the opinion of counsel could be challenged by the IRS, and if the IRS prevails in such challenge, the tax consequences to Danaher and its stockholders could be materially unfavorable.

If the Distribution were determined not to qualify for non-recognition of gain and loss under Sections 355 and 368(a)(1)(D) of the Code, Danaher would generally recognize gain with respect to the transfer of Newco common units in the Distribution.

The Distribution and certain aspects of the Separation could be taxable to Danaher if Newco, its unit holders, NetScout or NetScout's stockholders were to engage in a Disqualifying Action (as defined in the Tax Matters Agreement). In such cases, under the Tax Matters Agreement, Newco and NetScout will be required to indemnify Danaher against any taxes resulting from the Distribution or certain aspects of the Separation that arise as a result of a Disqualifying Action. If Danaher were to recognize gain on the Distribution or certain aspects of the Separation for reasons not related to a Disqualifying Action by Newco or NetScout, Danaher would not be entitled to be indemnified under the Tax Matters Agreement and the resulting tax to Danaher could have a material adverse effect on Danaher. If Newco or NetScout were required to indemnify Danaher as a result of the Distribution or certain aspects of the Separation being taxable, this indemnification obligation would likely be substantial and could have a material adverse effect on NetScout, including with respect to its financial condition and results of operations.

***Upon completion of the Transactions, NetScout will incur significant expenses in connection with the integration of the Communications Business.***

Upon completion of the Transactions, NetScout expects to incur significant expenses in connection with the integration of the Communications Business, including integrating products and technology, personnel, information technology systems, accounting systems, suppliers, and channel partners of each business and implementing consistent standards, policies, and procedures, and may possibly be subject to material write downs in assets and charges to earnings, which may include severance pay and other costs.

***Failure to consummate the Transactions could adversely impact the market price of NetScout's common stock as well as NetScout's business, financial condition and results of operations.***

If the Transactions are not completed for any reason, the price of NetScout's common stock may decline. In addition, NetScout may be subject to additional risks, including:

depending on the reasons for and the timing of the termination of the Merger Agreement, the requirement in the Merger Agreement that NetScout pay Danaher a termination fee of \$55 million or reimburse Danaher for certain out-of-pocket costs relating to the Transactions; and

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substantial costs related to the Transactions, such as legal, accounting, regulatory filing, financial advisory and financial printing fees, which must be paid regardless of whether the Transactions are completed.

***The Merger Agreement contains provisions that may discourage other companies from trying to acquire NetScout. In addition, NetScout will have more shares of its common stock outstanding after the Transactions, which may discourage other companies from trying to acquire NetScout.***

The Merger Agreement contains provisions that may discourage a third-party from submitting a business combination proposal to NetScout prior to the closing of the Transactions that might result in greater value to NetScout stockholders than the Transactions. For example, the Merger Agreement generally prohibits NetScout from soliciting any takeover proposal. In addition, if the Merger Agreement is terminated by NetScout or Danaher in circumstances that obligate NetScout to pay a termination fee or to reimburse transaction expenses to Danaher, NetScout's liquidity or financial condition may be materially adversely affected as a result of such payment, and the requirement to make such a payment might deter third parties from proposing alternative business combination proposals. In addition, the Merger Agreement requires that NetScout seek stockholder approval for the issuance of shares of NetScout common stock in the Merger, even if the NetScout board of directors changes its recommendation regarding the issuance of shares of NetScout common stock in the Merger.

NetScout expects to issue 62.5 million shares of its common stock as part of the Transactions, assuming no adjustments pursuant to the Merger Agreement. Because NetScout will be a significantly larger company and have significantly more shares of its common stock outstanding after the Transactions, an acquisition of NetScout may become more expensive. As a result, some companies may not seek to acquire NetScout, and the reduction in potential parties that may seek to acquire NetScout could negatively impact the prices at which NetScout's common stock trades.

**Risks Related to the Combined Company's Business Following the Transactions.**

***NetScout will assume certain non-U.S. pension benefit obligations associated with the Communications Business. Future funding obligations related to these liabilities could restrict cash available for NetScout's operations, capital expenditures or other requirements, or require NetScout to borrow additional funds.***

In the Transactions, NetScout will assume certain funded and unfunded non-U.S. pension obligations related to non-U.S. employees of the Communications Business who become employees of Newco to the extent the assumption is required by applicable law. In connection therewith, Danaher will transfer to NetScout all assets set aside by Danaher to fund such non-U.S. pension obligations related to the Communications Business. If the non-U.S. pension liabilities transferred by Danaher exceed the assets transferred by Danaher, Danaher is obligated to transfer an amount of cash to NetScout equal to the difference between the non-U.S. pension liabilities transferred and the assets transferred. The transfers of assets and non-U.S. pension liabilities will be governed by applicable law, provided that if the mechanism for the transfers is not mandated by applicable law, the assets and liabilities will be transferred on a projected benefit obligation basis in accordance with GAAP.

Funding obligations with respect to non-U.S. pension plans change due to, among other things, the actual investment return on plan assets. Continued volatility in the capital markets may have a further negative impact on the funded status of the non-U.S. pension plans, which may in turn increase attendant funding obligations. Changing economic conditions, poor pension investment returns or other factors may require NetScout to make substantial cash contributions to the pension plans in the future, preventing the use of increased cash contributions for other purposes and adversely affecting NetScout's liquidity.

While NetScout intends to comply with any future funding obligations for its non-U.S. pension benefit plans through the use of cash from operations, there can be no assurance that NetScout will generate enough cash to do so and also meet its other required or intended cash uses. NetScout's inability to fund these obligations through cash from operations could require it to seek funding from other sources, including through additional borrowings, which could materially increase NetScout's outstanding debt or debt service requirements.

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**Table of Contents*****Current NetScout stockholders' ownership interest in NetScout will be substantially diluted in the Mergers.***

Following the consummation of the Mergers, NetScout's stockholders will, in the aggregate, own a significantly smaller percentage of NetScout than they will own of NetScout immediately prior to the Mergers. Following the consummation of the Mergers, NetScout's stockholders immediately prior to the Mergers are expected to collectively hold no more than approximately 40.5% of NetScout's common stock immediately after the Mergers. Consequently, NetScout's current stockholders, as a group, will be able to exercise less influence over the management and policies of NetScout following the Mergers than they will exercise over the management and policies of NetScout immediately prior to the Mergers.

***Sales of NetScout common stock after the Transactions may negatively affect the market price of NetScout common stock.***

The shares of NetScout common stock to be issued in the Transactions to holders of Newco common units will generally be eligible for immediate resale. The market price of NetScout common stock could decline as a result of sales of a large number of shares of NetScout common stock in the market after the consummation of the Transactions or even the perception that these sales could occur.

It is expected that immediately after consummation of the First Merger, pre-First Merger holders of Newco common units will hold approximately 59.5% of NetScout's common stock on a fully-diluted basis and NetScout's existing stockholders will hold approximately 40.5% of NetScout's common stock on a fully-diluted basis, subject to potential adjustment under limited circumstances as described in the section of this document entitled "The Merger Agreement Merger Consideration." Currently, Danaher stockholders may include index funds that have performance tied to certain stock indices and institutional investors subject to various investing guidelines. Because NetScout may not be included in these indices following the consummation of the Transactions or may not meet the investing guidelines of some of these institutional investors, these index funds and institutional investors may decide to or may be required to sell the NetScout common stock that they receive in the Transactions. In addition, the investment fiduciaries of Danaher's defined contribution and defined benefit plans may decide to sell any NetScout common stock that the trusts for these plans receive in the Transactions, or may decide not to participate in the exchange offer, if applicable, in response to their fiduciary obligations under applicable law. These sales, or the possibility that these sales may occur, may also make it more difficult for NetScout to obtain additional capital by selling equity securities in the future at a time and at a price that it deems appropriate.

***The historical financial information of the Communications Business may not be representative of its results or financial condition if it had been operated independently of Danaher and, as a result, may not be a reliable indicator of its future results.***

The Communications Business is currently operated by Danaher. Consequently, the financial information of the Communications Business included in this document has been derived from the consolidated financial statements and accounting records of the Communications Business and reflects all direct costs as well as assumptions and allocations made by management of Danaher. The financial position, results of operations and cash flows of the Communications Business presented may be different from those that would have resulted had the Communications Business been operated independently of Danaher during the applicable periods or at the applicable dates. For example, in preparing the financial statements of the Communications Business, Danaher made allocations of costs and Danaher corporate expenses deemed to be attributable to the Communications Business. However, these costs and expenses reflect the costs and expenses attributable to the Communications Business operated as part of a larger organization and do not necessarily reflect costs and expenses that would be incurred by the Communications Business had it been operated independently. As a result, the historical financial information of the Communications



Business may not be a reliable indicator of future results.

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***NetScout's business, financial condition and results of operations may be adversely affected following the Transactions if NetScout cannot negotiate terms that are as favorable as those Danaher has received when NetScout replaces contracts after the closing of the Transactions.***

Prior to consummation of the Transactions, certain functions (such as purchasing, information systems, sales, logistics and distribution) for the Communications Business are generally being performed under centralized systems that will not be transferred to NetScout and, in some cases, under contracts that are also used for Danaher's other businesses and which are not intended to be assigned to NetScout with the Communications Business. In addition, some other contracts that Danaher or its subsidiaries are a party to on behalf of the Communications Business require consents of third parties to assign them to Newco. While Danaher, under the Transition Services Agreement, will agree to provide NetScout with certain services, there can be no assurance that NetScout will be able to obtain those consents or negotiate terms that are as favorable as those Danaher received when and if NetScout replaces these services with its own agreements for similar services. Although NetScout believes that it will be able to obtain any such consents or enter into new agreements for similar services, it is possible that the failure to obtain consents for or replace a significant number of these agreements for any of these services or to replace them on terms that are as favorable as those Danaher has received could have a material adverse impact on NetScout's business, financial condition and results of operations following the Transactions.

***NetScout's failure to successfully integrate the Communications Business into its business within its expected timetable could adversely affect the combined company's future results and the market price of NetScout's common stock following the completion of the Transactions.***

The success of the Transactions will depend, in large part, on NetScout's ability, as a combined company following the completion of the Transactions to realize the anticipated benefits and on the sales and profitability of the combined company. To realize these anticipated benefits, the combined company must successfully integrate its respective businesses. This integration will be complex and time-consuming. The failure to successfully integrate and manage the challenges presented by the integration process may result in NetScout's failure to achieve some or all of the anticipated benefits of the Transactions.

Potential difficulties that may be encountered in the integration process include the following:

lost sales and customers as a result of customers of NetScout or the Communications Business deciding not to do business with the combined company;

complexities associated with managing the larger, more complex, combined business;

integrating personnel of NetScout and the Communications Business while maintaining focus on providing consistent, high quality products and service to customers;

the loss of key employees; and

potential unknown liabilities and unforeseen expenses, delays or regulatory conditions associated with the Transactions.

If any of these events were to occur, NetScout's ability to maintain relationships with customers, channel partners, suppliers and employees or NetScout's ability to achieve the anticipated benefits of the Transactions could be adversely affected, or could reduce NetScout's sales or earnings or otherwise adversely affect NetScout's business and financial results after the Transactions and, as a result, adversely affect the market price of NetScout's common stock.

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***The success of the combined company will also depend on relationships with third parties and pre-existing customers and channel partners of NetScout and the Communications Business, which relationships may be affected by customer, channel partner or third-party preferences or public attitudes about the Transactions. Any adverse changes in these relationships could adversely affect the combined company's business, financial condition or results of operations.***

The combined company's success will depend on NetScout's ability to maintain and renew relationships with pre-existing customers, channel partners, suppliers, and other third-parties of both NetScout and the Communications Business and NetScout's ability to establish new relationships. There can be no assurance that the business of the combined company will be able to maintain and renew pre-existing contracts and other business relationships, or enter into or maintain new contracts and other business relationships, on acceptable terms, if at all. The failure to maintain important business relationships could have a material adverse effect on NetScout's business, financial condition or results of operations as a combined company.

***The growth of the combined company could suffer if the markets into which the combined company sells its products and services experience cyclical.***

The growth of the combined company will depend in part on the growth of the markets which the Communications Business serves. The Communications Business serves certain industries that have historically been cyclical and have experienced periodic downturns that have had a material adverse impact on demand for the products, software and services that the Communications Business offers. Any of these factors could adversely affect the business, financial condition and results of operations of the combined company in any given period.

***Defects, quality issues, inadequate disclosure or misuse with respect to the products, software or services of the combined company could adversely affect the business, reputation and financial statements of the combined company.***

Defects in, quality issues with respect to or inadequate disclosure of risks relating to the use of the combined company's products, software and services, or the misuse of the combined company's products, software and services, could lead to lost profits and other economic damage, property damage, violation of privacy rights, personal injury or other liability resulting in third party claims, criminal liability, significant costs, damage to its reputation and loss of business. Any of these factors could adversely affect the business, financial condition and results of operations of the combined company.

***International economic, political, legal, compliance and business factors could negatively affect the financial statements and growth of the combined company.***

The Communications Business derives significant sales from customers outside the U.S. and certain manufacturing operations, suppliers and employees of the Communications Business are located outside the U.S. The Communications Business expects to continue to increase its sales and presence outside the U.S., particularly in the high-growth markets. The Communications Business' international business (and particularly its business in high-growth markets) is subject to risks that are customarily encountered in non-U.S. operations, any of which could negatively affect the business, financial condition and results of operations of the combined company.

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**CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS**

This document (including information included or incorporated by reference herein) contains certain statements relating to future events and NetScout's intentions, beliefs, expectations and predictions for the future, including, but not limited to, statements concerning future business conditions and prospects, growth opportunities and estimates of growth, the outlook for NetScout's business, the expected benefits of the Transactions, integration plans and expected synergies therefrom and the expected timing of consummation of the Transactions described in this document based upon information currently available. Any such statements, other than statements of historical fact, are forward-looking statements. Wherever possible, these forward-looking statements have been identified by words such as will, may, anticipates, believes, intends, estimates, expects, projects, plans, targets, forecasts, etc. These forward-looking statements are based upon current assumptions and expectations of NetScout's management. Such forward-looking statements are subject to risks and uncertainties that could cause NetScout's actual results, performance and achievements to differ materially from those expressed in, or implied by, these statements included in this document. These risks and uncertainties include risks relating to:

NetScout's ability to obtain requisite stockholder approval to complete the Transactions;

Danaher being unable to obtain the IRS ruling and other regulatory approvals required to complete the Transactions, or such required approvals delaying the Transactions or resulting in the imposition of conditions that could have a material adverse effect on the combined company or causing the companies to abandon the Transactions;

other conditions to the closing of the Transactions not being satisfied;

a material adverse change, event or occurrence affecting NetScout or the Communications Business prior to the closing of the Transactions delaying the Transactions or causing the companies to abandon the Transactions;

problems arising in successfully integrating the Communications Business and NetScout, which may result in the combined company not operating as effectively and efficiently as expected;

the possibility that the Transactions may involve other unexpected costs, liabilities or delays;

the possibility that there may be delays in consummating the Transactions, or the Transactions may not be consummated at all;

the possibility that the failure to complete the Transactions could adversely affect the market price of NetScout common stock as well as NetScout's business, financial condition and results of operations;

the possibility that if completed, the Transactions may not be successful or achieve their anticipated benefits;

the business of NetScout being negatively impacted as a result of uncertainty surrounding the Transactions;

disruptions from the Transactions harming relationships with customers, employees or suppliers;

dependence upon broad-based acceptance of the combined company's products and services;

the presence of competitors with greater financial resources than the combined company and their strategic response to the combined company's products;

the possibility that conditions of the capital markets during the periods covered by the forward-looking statements may have an adverse effect on NetScout's business, financial condition, results of operations and cash flows; and

other risk factors discussed herein and listed from time to time in NetScout's public filings with the SEC.

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In addition, other factors besides those listed here could adversely affect NetScout's business and results of operations.

Because forward-looking statements are based on estimates and assumptions that are subject to significant business, economic and competitive uncertainties, many of which are beyond NetScout's control or are subject to change, actual results could be materially different and any or all of these forward-looking statements may turn out to be wrong. Forward-looking statements speak only as of the date made and can be affected by assumptions NetScout might make or by known or unknown risks and uncertainties. Many factors mentioned in this document and in NetScout's annual and quarterly reports will be important in determining future results. Consequently, NetScout cannot assure you that expectations or forecasts expressed in such forward-looking statements will be achieved. Actual future results may vary materially. Except as required by law, NetScout does not undertake, and expressly disclaims, any obligation to update any forward-looking or other statements, whether as a result of new information, future events, or otherwise.

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**INFORMATION ON THE SPECIAL MEETING**

**General; Date; Time and Place; Purposes of the Meeting**

NetScout is furnishing this proxy statement to its stockholders in connection with the solicitation of proxies by its board of directors for use at a special meeting of stockholders to be held at [ ] a.m. local time, on [ ], 2015, or at any adjournments or postponements of the special meeting, for the purposes set forth in this document and in the accompanying notice of special meeting. The special meeting will be held at NetScout Systems, Inc., 310 Littleton Road, Westford, Massachusetts. At the special meeting, stockholders will be asked to:

approve the issuance of shares of NetScout common stock in the First Merger;

adjourn or postpone the special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the special meeting to approve the issuance of shares of NetScout common stock in the First Merger; and

transact any and all other business that may properly come before the special meeting or any adjourned or postponed session of the special meeting.

A copy of the Merger Agreement is attached to this document as Annex A. All stockholders of NetScout are urged to read the Merger Agreement carefully and in its entirety.

NetScout does not expect a vote to be taken on any other matters at the special meeting. If any other matters are properly presented at the special meeting for consideration, however, the holders of the proxies, if properly authorized, will have discretion to vote on these matters in accordance with their best judgment.

When this document refers to the special meeting, it is also referring to any adjourned or postponed session of the special meeting, if necessary or appropriate.

**Record Date; Quorum; Voting Information; Required Votes**

Holders of record of NetScout common stock at the close of business on [ ], 2015, the record date for the special meeting, are entitled to notice of, and to vote at, the special meeting and any adjourned or postponed session thereof. At the close of business on the record date, [ ] shares of NetScout common stock were outstanding and entitled to vote. Stockholders are entitled to one vote on each matter submitted to the stockholders for each share of NetScout common stock held as of the record date.

Shares entitled to vote at the special meeting may take action on a matter at the special meeting only if a quorum of those shares exists with respect to that matter. The presence at the meeting, in person or by proxy, of the holders of a majority of the outstanding shares of NetScout common stock entitled to vote at the special meeting will constitute a quorum for the transaction of business at the special meeting. If a share is represented for any purpose at the special meeting, it will be deemed present for purposes of determining whether a quorum exists. Abstentions and broker non-votes will be counted as present and entitled to vote for purposes of determining a quorum. Broker non-votes refer to votes that could have been cast on a matter in question by a bank, broker or other nominee with respect to uninstructed shares if the bank, broker or other nominee had received their customers' instructions.



The issuance of NetScout common stock in the First Merger must be approved by the affirmative vote of a majority of the shares of NetScout common stock represented and voting at the special meeting, either in person or by proxy. If NetScout's stockholders fail to approve the issuance of shares of NetScout common stock in the First Merger upon a vote at the NetScout special meeting, each of Danaher and NetScout will have the right to terminate the Merger Agreement, as described in the section of this document entitled "The Merger Agreement - Termination."

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The adjournment or postponement of the special meeting, if necessary or appropriate, to solicit additional proxies if there are not sufficient votes at the time of the special meeting to approve the issuance of shares of NetScout common stock in the First Merger must also be approved by the affirmative vote of a majority of the shares of NetScout common stock represented and voting at the special meeting, either in person or by proxy.

As of [ ], 2015, NetScout's directors and executive officers held [ ]% of the shares entitled to vote at NetScout's special meeting of the stockholders. As of [ ], 2015, no affiliates of NetScout's directors and executive officers held shares entitled to vote at NetScout's special meeting of the stockholders. As of [ ], 2015, Danaher owned approximately [ ]% of the outstanding shares of NetScout common stock. As of [ ], 2015, Newco's directors, executive officers and their affiliates did not hold shares entitled to vote at NetScout's special meeting of the stockholders. Newco's stockholders are not required to vote on any of the proposals, and Newco will not hold a special meeting of stockholders in connection with the Transactions.

Under the terms of the Voting Agreement between Anil Singhal and Danaher, Anil Singhal has agreed in writing to vote his shares, and has granted Danaher a proxy to vote his shares, in favor of the Mergers and against any competing or superior proposals or proposals that would hinder or delay the completion of the Mergers. NetScout estimates that Anil Singhal holds approximately [ ]% of the outstanding shares of NetScout common stock as of [ ], 2015. For a more complete description of the Voting Agreement, see *Other Agreements* Voting Agreement. In addition, Danaher intends to vote the shares of NetScout common stock that Danaher owns, representing approximately [ ]% of the outstanding shares of NetScout common stock as of [ ], 2015, in favor of the issuance of shares of NetScout common stock in the First Merger.

## **Recommendation of Board of Directors**

After careful consideration, the board of directors of NetScout resolved that the Transactions contemplated by the Merger Agreement are advisable and fair to, and in the best interests of, NetScout and its stockholders and unanimously approved the Merger Agreement, the Mergers and the other Transactions. **The NetScout board of directors recommends that the stockholders of NetScout vote FOR approval of the issuance of shares of NetScout common stock in the First Merger, and, if necessary or appropriate, FOR the adjournment or postponement of the special meeting to solicit additional proxies if there are not sufficient votes at the time of the special meeting to approve the issuance of shares of NetScout common stock in the First Merger.**

## **How to Vote**

NetScout stockholders can vote in person by completing a ballot at the NetScout special meeting, or NetScout stockholders can vote before the NetScout special meeting by proxy. Even if NetScout stockholders plan to attend the special meeting, NetScout encourages its stockholders to vote their shares as soon as possible by proxy. NetScout stockholders can vote by proxy using the enclosed proxy card, or by internet or by telephone as discussed below.

### *Holder of Record*

NetScout holders of record may vote in person at the special meeting, vote by proxy over the telephone, vote by proxy through the internet, or vote by proxy by mail using the enclosed proxy card. Whether or not NetScout stockholders plan to attend the meeting, we urge each NetScout stockholder to vote by proxy to ensure its vote is counted. A NetScout stockholder may still attend the meeting in person even if it has already voted by proxy.

To vote in person, a NetScout stockholder should come to the special meeting and we will give it ballot when it arrives.

To vote using the proxy card, simply complete, sign and date the enclosed proxy card and return it promptly by mail in the envelope provided. If a NetScout stockholder returns a signed proxy card to us before the special meeting, we will vote that NetScout stockholder's shares as directed.

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To vote over the telephone, dial the toll-free number specified on the enclosed proxy card using a touch-tone phone and follow the recorded instructions. NetScout stockholders will be asked to provide the company number and control number from the proxy card. Telephone votes must be received by 11:59 p.m. Eastern Time on [ ], 2015 to be counted.

To vote through the internet, go to the website specified on the enclosed proxy card to complete an electronic proxy card. NetScout stockholders will be asked to provide the company number and control number from the proxy card. Internet votes must be received by 11:59 p.m. Eastern time on [ ] to be counted.

### *Beneficial Owner*

If a NetScout stockholder is a beneficial owner of shares registered in the name of a bank, broker or other nominee, that NetScout stockholder should have received a notice containing voting instructions from that organization rather than from NetScout. A NetScout stockholder should simply follow the voting instructions to ensure that its vote is counted. Alternatively, a NetScout stockholder may vote by telephone or over the internet as instructed by its bank, broker or other nominee. To vote in person at the special meeting, a NetScout stockholder must obtain a valid proxy from its bank, broker or other nominee. A NetScout stockholder should follow the instructions from its bank, broker or other nominee included with these proxy materials, or contact its bank, broker or other nominee to request a proxy form.

If a NetScout stockholder returns a signed and dated proxy card or otherwise votes without marking voting selections, its shares will be voted **FOR** approval of the issuance of shares of NetScout common stock in the First Merger and **FOR** the proposal to approve the adjournment or postponement of the special meeting, if necessary or appropriate, to solicit additional proxies, and in accordance with the recommendations of the NetScout board of directors on any other matters properly brought before the special meeting for a vote or any adjourned or postponed session of the special meeting.

### **Solicitation of Proxies**

NetScout will bear the entire cost of soliciting proxies from its stockholders. In addition to solicitation of proxies by mail, proxies may be solicited in person, by telephone or other electronic communications, such as emails or postings on NetScout's website by NetScout's directors, officers and employees, who will not receive additional compensation for these services. NetScout has retained Innisfree M&A Incorporated to assist in the solicitation of proxies for an initial fee of \$25,000 plus reimbursement for various expenses incurred in conjunction with the delivery of its services. Bankers, brokers and other nominees will be requested to forward soliciting material to beneficial owners of stock held of record by them, and NetScout will reimburse those persons for their reasonable expenses in doing so.

### **Revocation of Proxies**

If a holder of record of NetScout common stock has properly completed and submitted its proxy card, the NetScout stockholder can change its vote in any of the following ways:

by sending a signed notice of revocation to the Secretary of NetScout that is received prior to the special meeting stating that the NetScout stockholder revokes its proxy;

by properly completing a new proxy card bearing a later date and properly submitting it so that it is received prior to the special meeting;

by logging onto the internet website specified on the proxy card in the same manner a stockholder would to submit its proxy electronically or by calling the toll-free number specified on the proxy card prior to the special meeting, in each case if the NetScout stockholder is eligible to do so and following the instructions on the proxy card; or

by attending the special meeting and voting in person.

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Simply attending the special meeting will not revoke a proxy. In the event of multiple online or telephone votes by a stockholder, each vote will supersede the previous vote and the last vote cast will be deemed to be the final vote of the stockholder unless such vote is revoked in person at the special meeting.

If a NetScout stockholder holds shares in street name through its bank, broker or other nominee, and has directed such person to vote its shares, it should instruct such person to change its vote, or if in the alternative a NetScout stockholder wishes to vote in person at the special meeting, it must bring to the special meeting a letter from the bank, broker or other nominee confirming its beneficial ownership of the shares and that the bank, broker or other nominee is not voting the shares at the special meeting.

## **Adjournments and Postponements**

Although it is not currently expected, the special meeting may be adjourned or postponed, if necessary, for the purpose of soliciting additional proxies if there are not sufficient votes at the time of the special meeting to approve the issuance of shares of NetScout common stock in the First Merger. Any adjournment or postponement may be made from time to time by the affirmative vote of a majority of the shares of NetScout common stock represented and voting at the special meeting, either in person or by proxy, without further notice other than by an announcement made at the special meeting. Any adjournment or postponement of the special meeting for the purpose of soliciting additional proxies will allow NetScout stockholders who have already sent in their proxies to revoke them at any time prior to their use at the special meeting as adjourned or postponed.

The adjournment or postponement proposal relates only to an adjournment or postponement of the special meeting occurring for purposes of soliciting additional proxies for the approval of the issuance of shares of NetScout common stock in the First Merger. NetScout's board of directors retains full authority to adjourn or postpone the special meeting for any other purpose, including the absence of a quorum, or to postpone the special meeting before it is convened, without the consent of any stockholders.

## **Attending the Special Meeting**

All NetScout stockholders, including holders of record and stockholders who hold their shares through banks, brokers or other nominees, are invited to attend the NetScout special meeting. Holders of record can vote in person at the special meeting. Cell phones must be turned off prior to entering the special meeting. Cameras and video, audio or any other electronic recording devices will not be allowed in the meeting room during the special meeting, other than for NetScout purposes.

NetScout does not expect representatives of either PricewaterhouseCoopers LLP or Ernst & Young LLP to be present at the special meeting.

## **Householding**

SEC rules allow delivery of a single document to households at which two or more stockholders reside. Accordingly, stockholders sharing an address who have been previously notified by their bank, broker or other nominee or its agent will receive only one copy of this document, unless the stockholder has provided contrary instructions. Individual proxy cards or voting instruction forms (or electronic voting facilities) will, however, continue to be provided for each stockholder account. This procedure, referred to as householding, reduces the volume of duplicate information received by stockholders, as well as NetScout's expenses. Stockholders having multiple accounts may have received householding notifications from their respective banks, brokers or other nominees and, consequently, such stockholders may receive only one document.

Stockholders who prefer to receive separate copies of the document may request to receive separate copies of the document by notifying NetScout's Secretary in writing or by telephone at the following address: NetScout Systems, Inc., Attn: Secretary, 310 Littleton Road, Westford, Massachusetts 01886, telephone: (978) 614-4000.

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NetScout will provide the document promptly upon request. Stockholders currently sharing an address with another stockholder who wish to have only one proxy statement and annual report delivered to the household in the future should also contact NetScout's Secretary.

**Questions and Additional Information**

If NetScout stockholders have more questions about the Transactions or how to submit their proxies, or if they need additional copies of this document or the proxy card or voting instructions, please contact:

Innisfree M&A Incorporated

501 Madison Avenue, 20<sup>th</sup> floor

New York, New York 10022

Shareholders may call toll free: (888) 750-5834

Banks and Brokers may call collect: (212) 750-5833

or

NetScout Systems, Inc.

310 Littleton Road

Westford, Massachusetts 01886

Attention: Investor Relations

Telephone: (978) 614-4000

**The vote of NetScout stockholders is important. Please promptly sign, date, and return the enclosed proxy card or vote by internet or telephone by following the instructions on the proxy card or voting instruction form, as applicable.**



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**INFORMATION ON THE DISTRIBUTION**

In the Transactions, Danaher will distribute 100% of the Newco common units to Danaher stockholders through either an exchange offer followed by, in the event the exchange offer is not fully subscribed, a spin-off distribution or in a spin-off distribution not including an exchange offer. In the case of an exchange offer, Danaher will offer its stockholders the option to exchange all or a portion of their shares of Danaher common stock for Newco common units. In the event the exchange offer is not fully subscribed, Danaher will distribute the remaining Newco common units owned by Danaher on a pro rata basis to Danaher stockholders whose shares of Danaher common stock remain outstanding after consummation of the exchange offer. If the Distribution is structured as a spin-off not including an exchange offer, Danaher will distribute in the spin-off the Newco common units owned by Danaher on a pro rata basis to Danaher stockholders. See The Transactions. Newco has filed a registration statement on Form S-4 and Form S-1 to register the Newco common units, which will be distributed to Danaher stockholders pursuant to the Distribution. The Newco common units will be immediately converted into shares of NetScout common stock in the First Merger. NetScout has filed a registration statement on Form S-4 to register the shares of its common stock, which will be issued in the First Merger. NetScout and NetScout stockholders are not a party to the Distribution and are not being asked to separately vote on the exchange offer, the spin-off or to otherwise participate in the exchange offer.

Upon consummation of the Distribution, Danaher will irrevocably deliver to an agent selected by Danaher a global certificate representing all of the Newco common units being distributed. Shares of NetScout common stock will be delivered immediately following the Distribution and the effectiveness of the Merger, pursuant to the procedures determined by the agent and Danaher's transfer agent.

In the Mergers, NetScout expects to issue an aggregate number of shares of common stock of NetScout equal to (x) 62.5 million shares of NetScout common stock plus the product of (A) 1.46 multiplied by (B) the number of shares of NetScout common stock issued in any acquisition by NetScout prior to the effective time of the First Merger, divided by (y) the aggregate number of Newco common units issued and outstanding immediately prior to the effective time of the First Merger. Based upon the reported closing sale price of \$[ ] per share for NetScout common stock on NASDAQ on [ ], 2015, the total value of the consideration to be paid by NetScout in the Transactions would have been approximately \$[ ] billion. The value of the consideration to be paid by NetScout in the Mergers will fluctuate with the market price of NetScout common stock until the Mergers are consummated.

The information included in this section regarding Danaher's exchange offer, if applicable, is being provided to NetScout's stockholders for informational purposes only and does not purport to be complete. For additional information on Danaher's exchange offer and the terms and conditions of Danaher's exchange offer, NetScout stockholders are urged to read Newco's registration statement on Form S-4 and Form S-1, or NetScout's registration statement on Form S-4, and all other documents Newco will file with the SEC. This document constitutes only a proxy statement for NetScout stockholders relating to the approval of the issuance of shares of NetScout common stock in the Mergers and is not an offer to sell or an offer to purchase shares of NetScout common stock.

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**Table of Contents****INFORMATION ON NETSCOUT****Overview**

NetScout was founded in 1984 and is headquartered in Westford, Massachusetts. NetScout is an industry leader for advanced network, application and service assurance solutions, providing high-quality performance analytics and operational intelligence solutions that facilitate the evolution toward new computing paradigms, such as virtualization, mobility and cloud. NetScout designs, develops, manufactures, markets, licenses, sells and supports these products focused on assuring service delivery quality, performance and availability for some of the world's largest, most demanding and complex internet protocol (IP) based service delivery environments. NetScout manufactures and markets these products in integrated hardware and software solutions that are used by commercial enterprises, large governmental agencies and telecommunication service providers worldwide. NetScout has a single operating segment and substantially all of its identifiable assets are located in the United States.

**NetScout's Business After the Transactions**

NetScout believes that the Transactions will help support the following key elements of its growth strategy:

***Drive technology innovation.*** NetScout will continue to invest in research and development, and leverage the strong technical and domain expertise across its organization. As a result of the acquisition of the Communications Business, NetScout's base of research and development professionals will more than quadruple from its current level of over 350 people and the combined company's engineering teams will be focused on advancing technical innovation across its broad product portfolio. By capitalizing on NetScout's extensive experience with global enterprise, service provider and government organizations with IP-based networks, NetScout will be well positioned to cross-leverage its technology development across all major platforms and relevant technologies to address the evolving demands of current and prospective customers. NetScout works closely with its largest enterprise and service provider customers to better understand and address their near-term and longer-term requirements. By better understanding the key, time-sensitive needs of NetScout's global customer base, NetScout will continue to enhance and extend its product line to meet the increasing challenges of managing a diverse range of services over an increasingly global network environment.

***Enable pervasive visibility.*** NetScout intends to continue to expand its intelligent data source family to enable its customers to achieve greater visibility into more places across their end-to-end network environment. NetScout plans to integrate various capabilities, including its Adaptive Session Intelligence software, across the combined company's product portfolio to enable wider deployment of NetScout's technology within virtual computing environments, network devices and computing platforms and to support a broader range of network and application performance management, security and business intelligence requirements. This includes fortifying and enhancing NetScout's capabilities and technologies by supporting new and innovative ways to address the ongoing challenges associated with the increasing volume of data traffic and enable scalable support for 40 Gigabit, 100 Gigabit topologies and increasing global deployments of IPv6. Advancing these capabilities will enable NetScout to cross-sell a wider range of solutions into NetScout's existing base of customers using solutions from the Communications Business, as well as increase business with the current base of Communications Business customers by cross-selling NetScout solutions.

***Continued portfolio enhancements.*** NetScout plans to continue to enhance its products and solutions to address the management challenges associated with virtualization, cloud computing, service-oriented architectures, VoIP, video, and telepresence technologies. In addition, NetScout will continue to drive its solutions to help IT organizations address the challenges of complex service delivery, datacenter consolidation, branch office consolidation and optimization, increasing mobility and the move to a more process-oriented operating environment. The acquisition

will add Tektronix Communications high-value troubleshooting capabilities, which targets service providers, with Fluke Networks troubleshooting capabilities, which targets small to mid-sized enterprises. These capabilities are expected to complement NetScout's traditional strengths in monitoring

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large, complex IP-based networks and the mission-critical services that run across them. Over the longer term, NetScout anticipates that the post-acquisition product roadmap integration would support migrating key features and functionalities from various product platforms into new, higher value solutions at more attractive price points that will appeal to a broader range of customers globally.

***Extension into Adjacent Markets:*** By enhancing and expanding NetScout's product portfolio, NetScout can also enter complementary adjacent markets that will help it further expand its customer relationships and increase its total addressable market. For example, the acquisition of the Arbor Networks business will bring new security offerings that complement NetScout's core range of solutions by helping customers identify, mitigate and remediate complex technical threats and unauthorized intrusions into their network and IT infrastructures. The Arbor business will accelerate NetScout's entry into cyber security with market-leading solutions used by leading service providers and enterprises to prevent and mitigate distributed denial of service (DDoS) attacks. In addition, the acquisition will bring new solutions for optimizing the radio access networks (RANs) of service providers and sophisticated business intelligence analytics that are used by service providers to increase customer satisfaction, reduce churn, and increase profits.

***Leverage NetScout's direct sales force and pursue cross-selling opportunities.*** As a result of the acquisition, NetScout will have a larger direct sales force with specialized expertise in targeting the enterprise, service provider and government markets. Each of these markets has different technology issues, challenges and sales cycles. To augment NetScout's direct sales resources, particularly in key international markets, NetScout plans to leverage relationships with a range of value-added resellers and systems integrators that have historically supported the Tektronix Communications, Arbor Networks and acquired portions of the Fluke Networks Enterprise businesses. These firms possess specialized technical capabilities and local market knowledge, and NetScout believes that they will be important partners to support NetScout following the Transactions. Consequently, NetScout will be very well positioned to better meet the needs of these diverse markets. Additionally, NetScout believes that the Transactions will help create a range of attractive opportunities for the direct sales force to cross-sell various products into NetScout's customer base. For example, NetScout will seek to leverage its strong relationships with its enterprise customers to accelerate adoption of Arbor Networks' cyber security solutions and bring additional cyber security solutions to the marketplace that can take advantage of Arbor's established customer relationships; NetScout also will focus on broadening its relationships with its existing service provider customers by driving sales of the Tektronix Communications' RAN solutions and cross-selling Tektronix Communications' business intelligence analytics into new departments.

***Increase market relevance and awareness.*** The acquisition will substantially expand NetScout's customer base around the world. To generate increased demand for NetScout's products, NetScout will implement marketing campaigns aimed at promoting its thought leadership and driving lead generation for its technology, products and solutions among both enterprise and service provider customers. In addition, NetScout will continue to drive industry initiatives around managing service delivery.

***Extend NetScout's technology partner alliance ecosystem.*** Supporting a larger, more global customer base as a result of the acquisition will require alliances with complementary solutions providers. NetScout plans to continue to enhance its technology value, product capabilities and customer relevance through the continued integration of NetScout's products into technology partner products. This includes both interoperability integration efforts, as well as embedding NetScout's technology into alliance partner products to gain a more pervasive footprint across both enterprise and service provider networks.

***Pursue strategic acquisitions.*** Prior to the Transactions, NetScout completed five acquisitions in recent years that helped broaden the Company's capabilities, products and technologies, and better position the Company to meet the

needs of its customers and prospects. Following the Transactions, NetScout plans to be opportunistic in pursuing strategic acquisitions in order to achieve key business and technology objectives.

***Improve cost structure and drive efficiencies.*** NetScout believes that the Transactions will create a range of opportunities to further improve the Company's operating profitability by pursuing cost synergies. NetScout will seek to leverage its purchasing power and extend its proven manufacturing techniques in ways that can improve

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product gross margin. In addition, NetScout plans to integrate certain operations that have previously been managed separately across various business and product lines. NetScout also expects to achieve synergies by using common infrastructure platforms, and by eliminating or reducing redundancies associated with pre-existing resources, programs and capabilities.

**NetScout's Liquidity and Capital Resources After the Transactions***Overview*

NetScout's principal use of its liquidity and capital for nine months ended December 31, 2014 was to support its operations, including the payment of routine liabilities, to maintain and improve NetScout's facilities and systems and to pay variable and incentive compensation to its employees. NetScout's capital deployment priorities included investments in product development as well as a share repurchase program focusing on the repurchase of incremental shares issued in relation to NetScout's employee stock compensation programs. For the nine months ended December 31, 2014, cash provided by operating activities was approximately \$57 million, capital expenditures were approximately \$9 million and free cash flow, a non-GAAP measure defined as net cash provided by operating activities less capital expenditures and the purchase of intangible assets, was \$48 million. Net cash used in investing activities was approximately \$26 million, net cash used in financing activities was approximately \$27 million primarily because of share repurchases of approximately \$32 million. NetScout's cash, cash equivalents and marketable securities were approximately \$241 million as of December 31, 2014.

For the nine-month period ended September 26, 2014, cash provided by the operating activities of the Communications Business was approximately \$62 million, capital expenditures were approximately \$12 million, and free cash flow (as defined above) was approximately \$50 million. Net cash used in investing activities was approximately \$12 million and net cash paid for financing activities was approximately \$50 million, including payments to its parent of approximately \$47 million. Danaher has historically provided various services to the Communications Business including cash management and other treasury services. As such, the cash and liquidity is maintained at the Danaher corporate level.

Following the consummation of the Transactions, NetScout expects cash from operating activities to be in the range of \$200.0 million to \$250.0 million during the first year of the combined operations. Due to the low capital intensive nature of the combined business, NetScout expects that capital expenditures will continue to be less than 5 percent of total combined revenue following the consummation of the Transactions. NetScout expects to incur approximately \$11 million of investment banking fees. Since the integration planning is in the beginning phases, there is no estimate of costs associated with achieving any of the projected synergies or the consolidation of any operations and systems as well as professional fees associated with these activities. Additionally, as part of the Merger Agreement, the Communications Business will enter into a Transition Services Agreement with Danaher, under which Danaher will provide the Communications Business specified support services and other assistance for a limited time following the closing of the Transactions. Certain of the services covered under the Transition Services Agreement are costs that are currently included as operating costs in the Communications Business Combined Statements of Earnings, however, there is no guarantee that the Communications Business will not incur higher operating costs than those reflected in those financial statements and NetScout may incur certain costs to replace services at the end of the Transition Services Agreement.

NetScout anticipates that its primary sources of liquidity for working capital and operating activities will be cash provided by operations as well as a financing arrangement which is being reviewed. While NetScout has an existing Revolving Credit Agreement for \$250 million that is fully available, NetScout is reviewing alternative financing arrangements including amending the existing facility to cover the requirements of the combined company. NetScout

expects these sources of liquidity will be sufficient to fund working capital and capital expenditure requirements, including the significant one-time costs relating to the Transactions described above.

For more information on the Communications Business and NetScout's existing sources of liquidity, see the section of this document entitled Management's Discussion and Analysis of Financial Condition and Results

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of Operations for the Communications Business and the section entitled Management's Discussion and Analysis of Financial Condition and Results of Operations included in NetScout's annual report on Form 10-K for the year ended March 31, 2014 and quarterly report on Form 10-Q for the quarter ended December 31, 2014, each filed with the SEC and incorporated by reference into this document. See Where You Can Find More Information; Incorporation by Reference.

## **Directors and Officers of NetScout Before and After the Transactions**

### ***Board of Directors***

The Merger Agreement provides that the NetScout board of directors will take all actions necessary such that, effective as of the effective time of the First Merger, one person selected by Danaher and approved by NetScout will be elected to the NetScout board of directors. NetScout and Danaher currently anticipate that such individual will be James A. Lico, age 48, Danaher's Executive Vice President. In accordance with the Merger Agreement, this individual will also, subject to the fiduciary duties of NetScout's board of directors, be nominated for re-election to the board of directors of NetScout at NetScout's 2015 annual meeting of stockholders. Listed below is the biographical information for each person who is currently a member of the board of directors of NetScout.

*Anil Singhal*, age 61, co-founded NetScout in June 1984 and has served as NetScout's Chief Executive Officer and as a director on the Company's Board since inception. In January 2007, Mr. Singhal was appointed Chairman of the Board, and has been serving as NetScout's President, CEO and Chairman since that time. In his current role, Mr. Singhal is focused on providing strategic leadership and vision, as well as setting operational priorities for the Company's management team. Mr. Singhal's vision of traffic-based instrumentation has guided NetScout's product direction and focus for the past three decades, helping to shape the evolution for the industry in the process. Under Mr. Singhal's leadership, NetScout has grown substantially during the past three decades, completing its initial public offering in 1999 and reaching nearly \$400 million in revenue in fiscal year 2014. He is credited with numerous innovations in the field of network traffic monitoring and analysis that have helped NetScout gain several of industry accolades. During the past decade, Mr. Singhal has also been an instrumental part of a number of strategic acquisitions that have fortified and enhanced NetScout's technology, customer base and go-to-market capabilities. Mr. Singhal has earned notable recognition for his entrepreneurial success, including the TiE (The Indus Entrepreneur) Boston Lifetime Achievement in 2013, Enterprise Bank's 2013 George L. Duncan Award of Excellence and Ernst & Young's New England Entrepreneur of the Year in 1997. Mr. Singhal holds a BSEE from BITS, Pilani, India and an MS in Computer Science from the University of Illinois, Urbana-Champaign.

*Victor A. DeMarines*, age 77, has been a NetScout director since June 2004. Mr. DeMarines was the President and Chief Executive Officer of MITRE from 1994 until his retirement in 2000. He continued to serve as a member of the Board of Trustees and as Chairman of the Technology Committee of MITRE until his retirement from the Board in 2010. He continues his relationship as a consultant to MITRE Corporation on its Department of Defense, Homeland Security, and cyber activity initiatives. Since February 2013, he has served as the Chairman of the Board of Directors of Verint Systems Inc., a publicly-held provider of systems to the internet security marketplace. He has been a member of the Board of Directors of Verint Systems since 2002 and is also currently a member of its Corporate Governance and Nominating Committee and its Audit Committee.

*Robert E. Donahue*, age 66, has been a NetScout director since March 2013. He currently serves on the board of directors of Sycamore Networks, Inc., an intelligent optical networking and multiservice access provider, where he has served since July 2007. Mr. Donahue served on the board of directors of Cybersource Corporation, a leading provider of electronic payment and risk management solutions, from November 2007 to August 2010. From August 2004 to November 2007, Mr. Donahue served as the President and Chief Executive Officer of Authorize. Net



Holdings, Inc. (formerly Lightbridge Inc.), a leading transaction processing company, before it was acquired by Cybersource Corporation in November 2007. Mr. Donahue also served as a member of Authorize.

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*John R. Egan*, age 57, has been a NetScout director since October 2000. Mr. Egan is a founding managing partner of Egan-Managed Capital, L.P., a Boston-based venture capital fund specializing in New England, information technology, and early-stage investments, which began in the fall of 1996, and is a managing partner of Carruth Associates. Since 1992, he has been a member of the Board of Directors and is currently the Chairman of the Mergers and Acquisitions Committee and member of the Finance Committee at EMC Corporation, a publicly-held provider of computer storage systems and software. Since 2007, Mr. Egan has served as a member of the Board of Directors and is currently the Chairman of the Mergers and Acquisitions Committee at VMWare, a publicly-held leader in virtualization and cloud infrastructure. Since 2011, Mr. Egan has served as a member of the Board of Directors and currently serves as Non-Executive Chairman of the Board of Directors and serves on the Compensation Committee at Progress Software Corp., a global software company. Since 2012, Mr. Egan has served as a member of the Board of Directors and is currently the Chairman of the Corporate Governance and Nominating Committee at Verint Systems, Inc., a publicly-held provider of systems to the internet security market. Mr. Egan also serves on the Board of Trustees at Boston College and as a director for two other privately held companies.

*Joseph G. Hadzima, Jr.*, age 63, has been a NetScout director since July 1998. Mr. Hadzima has been a Managing Director of Main Street Partners, LLC, a venture capital investing and technology commercialization company, since April 1998. Since 2000, he has also been President of IPVision, Inc., a Main Street Partners portfolio company that provides intellectual property analysis systems and services. Mr. Hadzima is also a Senior Lecturer at MIT Sloan School of Management, of counsel at a law firm, and serves as a director on two private company boards.

*Vincent J. Mullarkey*, age 66, 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.

*Christopher Perretta*, age 57, has been a NetScout director since September 2014. Mr. Perretta served as Executive Vice President and Chief Information Officer at State Street Corporation since September 2007 and as a member of State Street Corporation's Management Committee since February 2013. From December 1996 to September 2007, Mr. Perretta served in various roles at General Electric Corporation, including as Chief Information Officer for the North American Consumer Financial Services unit, Chief Technology Officer for General Electric Capital, and most recently, from January 2003 to September 2007, as Chief Information Officer of General Electric Commercial Finance. Mr. Perretta also serves as a member of the board of directors of a privately-held company.

***Executive Officers***

*Anil Singhal*, age 61, co-founded NetScout in June 1984 and has served as NetScout's Chief Executive Officer and as a director on the Company's Board since inception. In January 2007, Mr. Singhal was appointed Chairman of the Board, and has been serving as NetScout's President, CEO and Chairman since that time. In his current role, Mr. Singhal is focused on providing strategic leadership and vision, as well as setting operational priorities for the Company's management team. Mr. Singhal's vision of traffic-based instrumentation has guided NetScout's product direction and focus for the past three decades, helping to shape the evolution for the industry in the process. Under Mr. Singhal's leadership, NetScout has grown substantially during the past three decades, completing its initial public offering in 1999 and reaching nearly \$400 million in revenue in fiscal year 2014. He is credited with numerous innovations in the field of network traffic monitoring and analysis that have helped NetScout gain several of industry accolades. During the past decade, Mr. Singhal has also been an instrumental part of a number of strategic acquisitions that have fortified and enhanced NetScout's technology, customer base and go-to-market capabilities. Mr. Singhal has earned notable recognition for his entrepreneurial success, including the TiE (The Indus Entrepreneur) Boston Lifetime Achievement

in 2013, Enterprise Bank's 2013 George L. Duncan Award of Excellence and Ernst & Young's New England Entrepreneur of the Year in

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1997. Mr. Singhal holds a BSEE from BITS, Pilani, India and an MS in Computer Science from the University of Illinois, Urbana-Champaign.

*Michael Szabados*, age 62, has served as NetScout's Chief Operating Officer since April 2007. In this role, Mr. Szabados is focused on executing NetScout's vision and strategy. During his tenure, he has been critical in helping lead the Company's key functional areas as the Company more than doubled in size. Mr. Szabados has also helped lead the integration of Network General and five other companies that NetScout has acquired. His career at NetScout began in 1997 when he joined the Company as vice president, marketing, charged with increasing the Company's overall visibility and market awareness. His responsibilities expanded in 2001 to encompass product development, manufacturing and customer support when he was promoted to Senior Vice President, Product Operations. A veteran of the enterprise networking industry, Mr. Szabados held senior leadership roles with companies including UB Networks, SynOptics/Bay Networks and MIPS Corporation following engineering and product management roles at Intel Corporation and later at Apple. Mr. Szabados holds a BSEE from UC Irvine and an MBA from UC Santa Clara.

*Jean Bua*, age 56, has served as NetScout's Chief Financial Officer and Treasurer since November 2011. She joined the company in September 2010 as Vice President, Finance, in conjunction with the Company's succession planning. In her current role, Ms. Bua is responsible for investor relations, treasury, financial planning and analysis, real estate development, accounting and compliance. Ms. Bua has played a key role in executing on the financial aspects of the Company's strategy during a period in which the Company's market capitalization grew by 300%. During her tenure, the Company has successfully completed and integrated five acquisitions. Before joining NetScout, Ms. Bua served as Executive Vice President, Finance & Treasurer of American Tower Corporation, a leading provider of infrastructure for the wireless telecommunications industry. While at American Tower, she was a critical contributor to multiple equity and debt financings, and numerous acquisitions that enabled the company to more than double in revenue through both acquisition and organic growth. Prior to American Tower, Ms. Bua spent nine years at Iron Mountain, Inc., concluding as Senior Vice President, Chief Accounting Officer and Worldwide Controller. During her tenure, Iron Mountain successfully consolidated the records management industry and grew from annual revenue of \$100 million to over \$2 billion through more than 100 domestic and international acquisitions. Previously, she held senior positions at Duracraft Corp. and Keithley Instruments. She was a management consultant at Ernst & Young and an auditor at KPMG. Ms. Bua earned her Bachelor of Science in Business Administration, summa cum laude, from Bryant College and her Masters of Business Administration from the University of Rhode Island.

*John W. Downing*, age 56, has served as NetScout's Senior Vice President, Worldwide Sales Operations, since 2007. In this role, Mr. Downing is responsible for directing the Company's sales leadership in both the service provider and enterprise markets. Under Mr. Downing's direction, NetScout has reported strong revenue growth and built vibrant, long-term relationships with leading telecommunications service providers, government agencies and many of the world's largest corporations. He joined NetScout in 2000 as Vice President, Sales Operations, instituting and refining key go-to-market programs and sales processes that have underpinned the Company's four-fold revenue growth during the past fourteen years. Prior to NetScout, from April 1998 until September 2000, Mr. Downing served as Vice President of Sales at Genrad Corporation, a \$300 million manufacturer of electronic testing equipment and production solutions, and was Vice President of North American Sales from January 1996 until March 1998. Mr. Downing earned a Bachelor of Science in Engineering (BSE) in Computer Science and Applied Mathematics from Tufts University and a Master's in Business Administration from Suffolk University.

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**INFORMATION ON THE COMMUNICATIONS BUSINESS**

**The Company**

The Communications Business has been operated as Danaher Corporation's Communications platform since 2008. Danaher created the Communications platform from the enterprise network performance management and diagnostics business of Fluke Networks Enterprise, which Danaher acquired in 1998, the telecommunications network monitoring, subscriber troubleshooting and diagnostics business of Tektronix, Inc., which Danaher acquired in 2007, the network security solutions business of Arbor Networks, Inc., which Danaher acquired in 2010, as well as from the acquisitions of AirMagnet and Aran Technologies in 2009, VSS Monitoring in 2012 and Newfield Wireless and PacketLoop in 2013. Danaher established its Communications platform primarily to address the market opportunities arising from the convergence of telecommunication and enterprise technologies, which historically had been relatively distinct but have converged as a result of the emergence of internet protocol as the predominant underlying technology for both applications.

Today, the Communications Business is a leading provider of products and solutions used in the design, deployment, monitoring and security of traditional, virtualized, mobile and cloud-based networks operated by communications service providers, hosting service providers, enterprises and government agencies worldwide. The Communications Business derives revenue principally by developing, manufacturing, and selling a broad range of hardware, software and support services. The Communications Business maintains operations and conducts business in all major geographies, including North America, Europe, Asia Pacific and Latin America.

The headquarters of the Communications Business is located at 3033 W. President George Bush Highway in Plano, Texas and the Communications Business telephone number is (469) 330-4000.

**Markets, Customers and Products**

The Communications Business designs, manufactures, markets, licenses, sells and supports innovative hardware and software solutions that help its customers deploy, manage and secure their communication network technologies and services. Communication networks include telecommunication and other service provider networks as well as enterprise networks. The Communications Business solutions collect and analyze massive volumes of voice, video and data traffic that traverse communication networks. The data the Communications Business collects is in the form of packets (also known as network data) and flows (also known as machine data). These forms of data provide granular detail regarding what is occurring within communication networks, both in real-time and historically. The Communications Business solutions allow its customers to analyze the large amount of packets and flows on their communication networks. From these packets and flows the Communications Business analytics solutions derive contextual and correlated insights about what is occurring at different physical points and times in a network. These insights help the Communications Business customers to:

improve the quality of their end users' experience;

monitor the performance of their network infrastructure and the services it delivers;

troubleshoot customer service and operational problems across vast, complex networks;

enable and deliver location-based services for their mobile subscribers; and

detect and mitigate cyber security events in their network, including distributed denial-of-service ( DDoS ) attacks and advanced persistent threats ( APT ).

The Communications Business product offerings include the following:

telecommunications network monitoring systems for performance management and troubleshooting;

cyber security detection and mitigation systems for service provider and enterprise networks;

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portable enterprise network analysis and optimization tools;

network packet brokering tools;

enterprise network performance management systems; and

geolocation systems for mobile telecommunications networks.

The Communications Business products are configured either as stationary solutions that continuously monitor packet and flow traffic, typically in a live network environment, or as handheld or portable tools used in laboratories and/or live networks to design, deploy or test specific types of equipment, services or points in a network.

Businesses in multiple industry verticals (including wireless and fixed-line communications service providers, hosting service providers, enterprises and governmental agencies) use the Communications Business solutions to reduce operating expenses and improve the performance and availability of their communication networks. The Communications Business broad portfolio of solutions addresses the end-to-end needs of large, physically diversified networks: from centralized information technology data centers and network operations centers to the remote access points of networks such as enterprise branch offices and mobile telecommunications cell towers.

Sales to the Communications Business two largest customers, AT&T and Verizon, were 25% and 11%, respectively, of total sales in 2013, 23% and 10%, respectively, of total sales in 2012 and 31% and 2%, respectively, of total sales in 2011. No other customer accounted for more than 10% of consolidated sales in 2013, 2012 or 2011.

The Communications Business products and solutions are marketed under the AIRMAGNET, ARBOR NETWORKS, FLUKE NETWORKS, TEKTRONIX COMMUNICATIONS and VSS MONITORING brands.

## **Strategy**

The Communications Business management believes there are several key trends driving growth in the Communications Business served markets, including the:

proliferation of smart devices, including mobile phones and machine-to-machine and Internet of Things communications;

increasing sophistication of real-time communications services requiring superior network performance and availability;

growing prevalence of cyber security attacks (such as DDoS and APT) on network integrity and availability;

new investments in network function virtualization ( NFV ) and software defined networks ( SDN );

continuing transition of premise-based infrastructures and services to cloud-based infrastructure and services; and

increasing demand for the extraction of insights from Big Data such as the traffic traversing communication networks.

The Communications Business management believes communications service providers, enterprises and government agency network operators worldwide will continue to invest in solutions like the Communications Business to address the increasing complexities associated with these trends.

The Communications Business strategy is to focus on facilitating the deployment, management and security of the Communications Business customers communication network technologies and services. As the



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Communications Business customers migrate to new technologies and services the Communications Business seeks to adapt and enhance its solutions accordingly with the objective of offering a broad, complementary and best-in-class portfolio that addresses the Communications Business customers needs. The initiatives the Communications Business is pursuing to accomplish this strategy include:

improving the cost-effective, technical scalability of the Communications Business solutions to address the ever-increasing volumes of traffic customers need to monitor and analyze in real-time;

migrating the Communications Business hardware solutions to virtualized formats in a manner that preserves technical performance and financial attractiveness for the Communications Business customers;

embracing the opportunities presented by the cloud, to improve the Communications Business competitive positioning and expand the size of the Communications Business addressable market;

re-purposing the contextual and correlated insights the Communications Business derives from network traffic to serve not only the technical functions of the Communications Business customers but also the business and marketing functions; and

leveraging the Communications Business broad footprint in monitoring internet traffic to help the Communications Business security solutions deployed in customer networks around the world better identify cyber security threats and fortify network defenses.

To accomplish this strategy, the Communications Business is investing in internal product development, pursuing strategic acquisitions as appropriate to gain access to technology, products, or markets and leveraging the Communications Business strong industry brands, customer relationships and global distribution channels.

## **Manufacturing and Materials**

The Communications Business primary manufacturing activities occur at facilities located in North America. The Communications Business performs installation and integration activities at customer sites using internal direct labor and third-party integration providers. These installation and integration activities occur primarily at network operator sites located in all of the major geographic regions that the Communications Business serves.

The Communications Business manufacturing operations employ a variety of raw materials that the Communications Business purchases from independent sources around the world. No single supplier is material, although for some components that require particular specifications or qualifications there may be a single supplier or a limited number of suppliers that can readily provide such components. The Communications Business utilizes a number of techniques to address potential disruption in and other risks relating to its supply chain, including in certain cases the use of safety stock, alternative materials and qualification of multiple supply sources. During 2013, the Communications Business had no raw material shortages that had a material effect on its business.

## **Sales, Distribution and Backlog**

The Communications Business maintains a direct sales and field maintenance organization, staffed with technically trained personnel throughout the world. Sales to end-customers are made through the Communications Business direct sales organization and to a lesser extent through independent distributors and resellers located in principal market areas. The Communications Business distribution strategy is to align the sales channel with the Communications Business customer base, concentrating direct selling efforts in large or strategic geographies and markets, and utilizing distributors or other partners to expand geographic and customer reach.

The Communications Business unfilled product and service orders were \$357,334,000 as of December 31, 2013 and \$398,404,000 as of December 31, 2012. A large majority of the unfilled orders will be delivered to customers within one year.

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### **Research and Development**

The Communications Business conducts research and development activities for the purpose of developing new products, enhancing the functionality, effectiveness, ease of use and reliability of its existing products and expanding the applications for which uses of its products are appropriate. The Communications Business research and development efforts include internal initiatives and those that use licensed or acquired technology. Research and development activities occur in North America, Asia and Europe. The Communications Business anticipates that it will continue to make significant expenditures for research and development as it seeks to provide a continuing flow of innovative products to maintain and improve its competitive position. Expenditures for research and development during fiscal years 2013, 2012 and 2011 were \$147,553,000, \$130,872,000 and \$111,898,000, respectively. Customer-sponsored research and development was not significant in 2013, 2012 or 2011.

### **Seasonality**

General economic conditions impact the Communications Business business and financial results, but it is not subject to material seasonality.

### **Competition**

The Communications Business primary competitors include Astellia SA, Empirix Inc., FireEye Inc., Gigamon, Inc., International Business Machines Corporation, Ixia, JDS Uniphase Corporation, NetScout, Polystar, Riverbed Technology, Inc., network equipment manufacturers ( NEMs ) and various in-house solutions. The Communications Business encounters a variety of competitors, including well-established regional competitors, competitors who are more specialized than the Communications Business is in particular markets, as well as larger companies or divisions of larger companies with substantial sales, marketing, research, and financial capabilities. The Communications Business is facing increased competition in a number of its served markets as a result of the entry of new, large companies into certain markets, the entry of competitors based in low-cost manufacturing locations, and increasing consolidation in particular markets. The Communications Business management believes that the Communications Business has a market leadership position in many of the markets it serves. Key competitive factors vary among its product and service lines, but include product scalability and performance, technology and product availability, price, quality, delivery speed, service and support, innovation, distribution network and brand name recognition.

### **Intellectual Property**

The Communications Business owns numerous patents along with trademarks, copyrights, trade secrets and licenses to intellectual property owned by others. Although in aggregate the Communications Business intellectual property is important to its operations, the Communications Business management does not consider any single patent, trademark, copyright, trade secret or license to be of material importance to the Communications Business business. From time to time the Communications Business engages in litigation to protect its intellectual property rights.

### **Working Capital**

The Communications Business maintains an adequate level of working capital to support its business needs. There are no unusual industry practices or requirements relating to working capital items. In addition, the Communications Business sales and payment terms are generally similar to those of its competitors.

### **Employee Relations**

As of September 26, 2014, the Communications Business employed approximately 2,570 persons, of whom approximately 1,560 were employed in the United States and approximately 1,010 were employed outside of the

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United States. In the United States, the Communications Business does not have any hourly-rated, unionized employees. Outside the United States, the Communications Business has government-mandated collective bargaining arrangements and union contracts in certain countries.

## **Regulatory Matters**

The Communications Business faces government regulation both within and outside the United States relating to the development, manufacture, marketing, sale and distribution of its products, software and services. The following sections describe certain significant regulations that the Communications Business is subject to. These are not the only regulations that the Communications Business businesses must comply with.

### *Environmental, Health and Safety Laws and Regulations*

The Communications Business operations, products and services are subject to environmental laws and regulations in the jurisdictions in which they operate, which impose limitations on the discharge of pollutants into the environment and establish standards for the generation, use, treatment, storage and disposal of hazardous and non-hazardous wastes. The Communications Business must also comply with various health and safety regulations in both the United States and abroad in connection with its operations. Compliance with these laws and regulations has not had and, based on current information and the applicable laws and regulations currently in effect, is not expected to have a material effect on the Communications Business capital expenditures, earnings or competitive position, and the Communications Business management does not anticipate material capital expenditures for environmental control facilities.

### *Export/Import Compliance*

The Communications Business is required to comply with various U.S. export/import control and economic sanctions laws, including: (1) the Export Administration Regulations administered by the U.S. Department of Commerce, Bureau of Industry and Security, which, among other things, impose licensing requirements on the export or re-export of certain dual-use goods, technology and software (which are items that potentially have both commercial and military applications); (2) the regulations administered by the U.S. Department of Treasury, Office of Foreign Assets Control, which implement economic sanctions imposed against designated countries, governments and persons based on United States foreign policy and national security considerations; and (3) the import regulatory activities of the U.S. Customs and Border Protection. Other nations governments have implemented similar export and import control regulations, which may affect the Communications Business operations or transactions subject to their jurisdictions.

## **International Operations**

The Communications Business products, software and services are available worldwide, and the Communications Business principal markets outside the United States are in Europe, Asia and Latin America. The Communications Business management believes that the Communications Business future growth depends in part on its ability to continue developing products and sales models that successfully target emerging markets. Annual revenue derived from customers outside the United States (based on geographic destination) as a percentage of total annual revenue was 41% in 2013, 42% in 2012 and 44% in 2011. Long-lived assets located outside the United States as a percentage of total long-lived assets as of December 31, 2013, 2012 and 2011 were 8%, 8% and 10%, respectively.

The manner in which the Communications Business products and services are sold outside the United States differs by product and by region. Most of the Communications Business sales in non-U.S. markets are made directly from the U.S., but it also sells products through various representatives and distributors. In countries with low sales volumes,

the Communications Business often sells through representatives and distributors as well as other partners such as third party system integrators. Financial information about the Communications Business international operations is contained in Note 15 of the Communications Business Combined Financial Statements for the year ended December 31, 2013.

**Table of Contents****Properties**

The Communications Business headquarters is located in Plano, Texas. The following is a summary of the Communications Business significant operating locations.

<b>Location</b>	<b>Own/Lease</b>	<b>Functional Use</b>
Plano, Texas	Own <sup>1</sup>	R&D, service, manufacturing and administrative
Ann Arbor, Michigan	Lease	R&D and service
Burlington, Massachusetts	Lease	R&D, service, manufacturing and administrative
Atlanta, Georgia	Lease	R&D
Berlin, Germany	Lease	R&D and manufacturing
Frankfurt, Germany	Lease	Service and administrative
Dublin, Ireland	Lease	R&D, manufacturing and administrative
Padova, Italy	Lease	R&D
Shanghai, China	Lease	R&D
Sunnyvale, California	Lease	R&D, manufacturing and administrative
Berkeley, California	Lease	R&D and administrative
Colorado Springs, Colorado	Lease	R&D and administrative
Santa Clara, California	Lease	R&D and administrative
Beijing, China	Lease	R&D
Rockville, Maryland	Lease	Sales and service

<sup>1</sup> As of the closing of the distribution of the Communications Business, the ownership of this facility will be transferred to Danaher or a subsidiary of Danaher and leased to NetScout or a subsidiary of NetScout.

**Legal Proceedings**

The Communications Business is, from time to time, subject to a variety of litigation and other legal and regulatory proceedings incidental to its business. Based upon the Communications Business management's experience, current information and applicable law, the Communications Business management does not believe it is reasonably possible that these proceedings and claims will have a material effect on the Communications Business financial statements.

**Table of Contents****HISTORICAL MARKET PRICE DATA AND DIVIDEND INFORMATION****Comparative Historical and Pro Forma Per Share Data**

The following table sets forth certain historical and pro forma per share data for NetScout. The historical data has been derived from and should be read together with NetScout's audited consolidated financial statements and related notes thereto contained in NetScout's annual report on Form 10-K for the fiscal year ended March 31, 2014, and NetScout's unaudited consolidated financial statements and related notes thereto contained in NetScout's quarterly report on Form 10-Q for the period ended December 31, 2014, each of which are incorporated by reference into this document. The pro forma data has been derived from the unaudited pro forma combined financial statements of NetScout and the Communications Business included elsewhere in this document. See "Where You Can Find More Information; Incorporation by Reference."

This comparative historical and pro forma per share data is being presented for illustrative purposes only. NetScout and the Communications Business may have performed differently had the Transactions occurred prior to the periods or at the date presented. You should not rely on the pro forma per share data presented as being indicative of the results that would have been achieved had NetScout and the Communications Business been combined during the periods or at the date presented or of the actual future results or financial condition of NetScout or the Communications Business to be achieved following the Transactions.

(shares in thousands)	As of and for the Nine Months Ended December 31, 2014		As of and for the Year Ended March 31, 2014	
	Historical	Pro Forma	Historical	Pro Forma
Basic earnings per share	\$ 0.98	\$ 0.28	\$ 1.19	\$ 0.57
Diluted earnings per share	\$ 0.97	\$ 0.28	\$ 1.17	\$ 0.57
Weighted average common shares outstanding Basic	41,128	103,628	41,366	103,866
Weighted average common shares outstanding Diluted	41,679	104,211	41,955	104,497
Book value per share of common stock	\$ 10.48	\$ 27.04	\$ 9.94	Not available

**Historical Common Stock Market Price and Dividend Data**

Historical market price data for Newco has not been presented because the Communications Business is currently operated by Danaher and there is no established trading market in Newco common units. Shares of Newco common units do not currently trade separately from Danaher common stock.

Shares of NetScout common stock currently trade on NASDAQ under the symbol NTCT. On October 10, 2014, the last trading day before the announcement of the Transactions, the last sale price of NetScout's common stock reported by NASDAQ was \$41.91. On [ ], 2015, the last trading day prior to the date of this document, the last sale price of NetScout common stock reported by NASDAQ was \$[ ].



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The following table sets forth, for the periods indicated, the high and low sale prices of NetScout common stock on NASDAQ for the periods indicated. The quotations are as reported in published financial sources. For current price information, NetScout stockholders are urged to consult publicly available sources.

	<b>NetScout Common Stock</b>	
	<b>High</b>	<b>Low</b>
<b>Calendar Year Ending December 31, 2015</b>		
First Calendar Quarter (through February 4, 2015)	\$ 38.30	\$ 33.53
<b>Calendar Year Ending December 31, 2014</b>		
First Calendar Quarter	\$ 39.10	\$ 28.64
Second Calendar Quarter	\$ 44.54	\$ 33.30
Third Calendar Quarter	\$ 48.13	\$ 41.15
Fourth Calendar Quarter	\$ 46.17	\$ 31.59
<b>Calendar Year Ended December 31, 2013</b>		
First Calendar Quarter	\$ 28.28	\$ 23.74
Second Calendar Quarter	\$ 24.92	\$ 21.22
Third Calendar Quarter	\$ 27.55	\$ 23.22
Fourth Calendar Quarter	\$ 30.76	\$ 24.04
<b>Calendar Year Ended December 31, 2012</b>		
First Calendar Quarter	\$ 22.49	\$ 15.72
Second Calendar Quarter	\$ 21.85	\$ 17.75
Third Calendar Quarter	\$ 26.59	\$ 18.96
Fourth Calendar Quarter	\$ 26.31	\$ 23.05

**NetScout Dividend Policy**

NetScout currently intends to retain its future earnings, if any, to finance the development and expansion of its business and is limited in its ability to pay cash dividends under the terms of its current credit facility. Therefore, NetScout does not intend to pay cash dividends on its common stock for the foreseeable future. Any future determination to pay dividends will be at the discretion of NetScout's board of directors and will depend on NetScout's financial condition, results of operations and capital requirements, restrictions contained in any financing instruments and such other factors as the NetScout board of directors deems relevant.

**Table of Contents****SELECTED FINANCIAL STATEMENT DATA****Selected Historical Combined Financial Data of the Communications Business**

Newco is a newly-formed holding company organized for the purpose of holding the Communications Business and consummating the Transactions with NetScout. The following data, insofar as it relates to each of the years 2011 through 2013, has been derived from annual financial statements, including the combined balance sheets at December 31, 2013 and December 31, 2012 and the related combined statements of earnings for each of the three years in the period ended December 31, 2013 and notes thereto appearing elsewhere herein. The data as of December 31, 2011 and as of and for the years ended December 31, 2010 and December 31, 2009 has been derived from unaudited combined financial information not included or incorporated by reference into this document. The data as of and for the nine months ended September 26, 2014 and September 27, 2013 has been derived from unaudited combined condensed financial statements included herein and is not necessarily indicative of the results or financial condition for the remainder of the year or any future period. This information is only a summary and you should read the table below in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations for the Communications Business and the financial statements of the Communications Business and the notes thereto included elsewhere in this document (\$ in thousands).

	<b>Nine Months Ended</b>		<b>Year Ended December 31</b>				
	<b>September 26, 2014</b>	<b>September 27, 2013</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>Sales</b>							
Product	\$ 399,191	\$ 457,285	\$ 623,632	\$ 594,770	\$ 483,782	\$ 367,141	\$ 284,095
Service	167,625	154,237	211,259	190,968	185,497	121,204	92,584
<b>Total sales</b>	<b>\$ 566,816</b>	<b>\$ 611,522</b>	<b>\$ 834,891</b>	<b>\$ 785,738</b>	<b>\$ 669,279</b>	<b>\$ 488,345</b>	<b>\$ 376,679</b>
<b>Earnings before income taxes</b>	<b>51,170</b>	<b>112,313</b>	<b>116,598</b>	<b>157,881</b>	<b>106,722</b>	<b>43,707</b>	<b>8,506</b>
<b>Net earnings</b>	<b>35,194</b>	<b>80,128</b>	<b>83,806</b>	<b>103,798</b>	<b>74,371</b>	<b>28,028</b>	<b>5,571</b>
<b>Total assets</b>	<b>\$ 1,189,415</b>	<b>\$ 1,168,640</b>	<b>\$ 1,235,903</b>	<b>\$ 1,185,543</b>	<b>\$ 998,760</b>	<b>\$ 1,047,998</b>	<b>\$ 774,961</b>

**Table of Contents****Selected Historical Consolidated Financial Data of NetScout**

The following selected historical consolidated financial data of NetScout for the years ended March 31, 2014, 2013 and 2012, and as of March 31, 2014 and 2013, has been derived from NetScout's audited consolidated financial statements, which are incorporated by reference into this document. The following selected financial data as of and for the years ended March 31, 2011 and 2010 has been derived from NetScout's audited historical consolidated financial statements, which are not included or incorporated by reference into this document. The following selected historical consolidated financial data as of and for the nine-month periods ended December 31, 2014 and 2013 has been derived from the unaudited consolidated financial statements of NetScout, which are incorporated by reference in this document. The selected historical combined financial data presented below is not necessarily indicative of the results or financial condition that may be expected for any future period or date. This information is only a summary and should be read in conjunction with the financial statements of NetScout and the notes thereto and the Management's Discussion and Analysis of Financial Condition and Results of Operations section contained in NetScout's annual report on Form 10-K for the year ended March 31, 2014 and quarterly report on Form 10-Q for the period ended December 31, 2014, each of which is incorporated by reference into this document. See [Where You Can Find More Information; Incorporation by Reference](#).

	<b>As of and for the Nine Months Ended December 31,</b>		<b>As of and for the Year Ended March 31,</b>				
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
	<b>(In thousands, except for share data)</b>						
<b>Results of Operations:</b>							
<b>Revenue:</b>							
Product	\$ 198,765	\$ 163,895	\$ 234,268	\$ 198,749	\$ 168,141	\$ 159,948	\$ 142,113
Service	135,519	120,435	162,379	151,801	140,538	130,592	118,229
<b>Total revenue</b>	<b>334,284</b>	<b>284,330</b>	<b>396,647</b>	<b>350,550</b>	<b>308,679</b>	<b>290,540</b>	<b>260,342</b>
<b>Cost of revenue:</b>							
Product	45,015	36,117	51,219	45,752	39,271	38,175	35,564
Service	26,158	24,111	33,294	28,256	26,401	23,186	20,500
<b>Total cost of revenue</b>	<b>71,173</b>	<b>60,228</b>	<b>84,513</b>	<b>74,008</b>	<b>65,672</b>	<b>61,361</b>	<b>56,064</b>
<b>Gross profit</b>	<b>263,111</b>	<b>224,102</b>	<b>312,134</b>	<b>276,542</b>	<b>243,007</b>	<b>229,179</b>	<b>204,278</b>
<b>Operating expenses:</b>							
Research and development	56,872	50,951	70,454	61,546	49,478	40,628	36,650
Sales and marketing	104,304	96,184	129,611	116,807	109,624	105,271	99,059
General and administrative	33,211	22,367	30,623	29,718	27,488	23,308	20,609
Amortization of acquired intangible assets	2,539	2,571	3,432	2,877	2,131	1,907	2,057
Restructuring charges				1,065	603		
<b>Total operating expenses</b>	<b>196,926</b>	<b>172,073</b>	<b>234,120</b>	<b>212,013</b>	<b>189,324</b>	<b>171,114</b>	<b>158,375</b>

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Income from operations	66,185	52,029	78,014	64,529	53,683	58,065	45,903
Interest and other expense, net	(1,186)	(88)	(158)	(793)	(2,765)	(1,772)	(2,832)
Income before income tax expense	64,999	51,941	77,856	63,736	50,918	56,293	43,071
Income tax expense	24,661	19,511	28,750	23,127	18,490	19,028	15,154
Net income	\$ 40,338	\$ 32,430	\$ 49,106	\$ 40,609	\$ 32,428	\$ 37,265	\$ 27,917
Basic net income per share	\$ 0.98	\$ 0.78	\$ 1.19	\$ 0.97	\$ 0.77	\$ 0.89	\$ 0.69
Diluted net income per share	\$ 0.97	\$ 0.77	\$ 1.17	\$ 0.96	\$ 0.76	\$ 0.87	\$ 0.67

Financial highlights:

Cash, cash equivalents and short and long-term marketable securities	\$ 240,726	\$ 182,213	\$ 218,794	\$ 154,091	\$ 213,516	\$ 228,478	\$ 170,551
Total assets	\$ 638,928	\$ 577,877	\$ 607,763	\$ 552,176	\$ 567,757	\$ 527,570	\$ 482,601
Debt	\$	\$	\$	\$	\$ 62,000	\$ 68,106	\$ 79,356
Total stockholder s equity	\$ 432,118	\$ 395,598	\$ 409,161	\$ 371,903	\$ 342,369	\$ 319,559	\$ 266,843

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	As of and for the Nine Months Ended December 31,			As of and for the Year Ended March 31,			
	2014	2013	2014	2013	2012	2011	2010
(In thousands, except for share data)							
Cash flow data:							
Cash from operating activities	\$ 57,322	\$ 60,767	\$ 110,946	\$ 95,412	\$ 68,307	\$ 67,189	\$ 45,654
Purchases of fixed assets	\$ (8,630)	\$ (8,709)	\$ (13,066)	\$ (11,671)	\$ (11,088)	\$ (7,491)	\$ (5,242)
Purchases of intangible assets	\$ (131)	\$ (713)	\$ (1,086)	\$ (277)	\$ (200)		
Non-GAAP free cash flow(1)	\$ 48,561	\$ 51,345	\$ 96,794	\$ 83,464	\$ 57,019	\$ 59,698	\$ 40,412
Other Selected Data:							
Weighted average common shares outstanding-basic	41,128	41,417	41,366	41,665	42,035	42,059	40,691
Weighted average common shares outstanding-diluted	41,679	41,969	41,955	42,322	42,750	42,973	41,915
Non-GAAP revenue(1)	\$ 334,302	\$ 284,749	\$ 397,205	\$ 351,765	\$ 308,991	\$ 289,743	\$ 261,659
Non-GAAP net income(1)	\$ 56,445	\$ 43,992	\$ 64,218	\$ 56,014	\$ 46,970	\$ 44,881	\$ 35,859
Non-GAAP net income per share(1)	\$ 1.35	\$ 1.05	\$ 1.53	\$ 1.32	\$ 1.10	\$ 1.04	\$ 0.86

(1) NetScout supplements the generally accepted accounting principles (GAAP) financial measures NetScout reports in quarterly and annual earnings announcements, investor presentations and other investor communications by reporting the following non-GAAP measures: non-GAAP revenue, non-GAAP net income, non-GAAP free cash flow and non-GAAP net income per diluted share. Non-GAAP revenue eliminates the GAAP effects of acquisitions by adding back revenue related to deferred revenue revaluation, and, for the fiscal year ended March 31, 2011, eliminates the revenue impact of recently adopted accounting guidance. Non-GAAP net income includes the foregoing adjustment and also removes expenses related to the amortization of acquired intangible assets, share-based compensation, restructuring, certain expenses relating to acquisitions including compensation for post-combination services, business development charges and loss on early extinguishment of debt, net of related income tax effects. Non-GAAP diluted net income per share also excludes these expenses as well as the related impact of all these adjustments on the provision for income taxes. Non-GAAP free cash flow is operating cash flow less cash outflows for PP&E and intangibles.

These non-GAAP measures are not in accordance with GAAP, should not be considered an alternative for measures prepared in accordance with GAAP (revenue, net income and diluted net income per share), and may have limitations in that they do not reflect all our results of operations as determined in accordance with GAAP. These non-GAAP measures should only be used to evaluate our results of operations in conjunction with the corresponding GAAP measures. The presentation of non-GAAP information is not meant to be considered superior to, in isolation from, or as a substitute for results prepared in accordance with GAAP.

NetScout management believes these non-GAAP financial measures enhance the reader's overall understanding of NetScout's current financial performance and its prospects for the future by providing a higher degree of transparency for certain financial measures and providing a level of disclosure that helps investors understand how NetScout plans and measures its business. NetScout believes that providing these non-GAAP measures affords investors a view of NetScout's operating results that may be more easily compared to its peer companies and also enables investors to consider NetScout's operating results on both a GAAP and non-GAAP basis during and following the integration period of NetScout's acquisitions. Presenting the GAAP measures on their own may not be indicative of our core

operating results. Furthermore, management believes that the presentation of non-GAAP measures when shown in conjunction with the corresponding GAAP measures provide useful information to management and investors regarding present and future business trends relating to NetScout's financial condition and results of operations.

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The following table reconciles revenue, net income and net income per share on a GAAP and non-GAAP basis (in thousands, except for per share amounts):

	Nine Months Ended		Year ended March 31,				
	December 31,		2014	2013	2012	2011	2010
	2014	2013	2014	2013	2012	2011	2010
GAAP revenue	\$ 334,284	\$ 284,330	\$ 396,647	\$ 350,550	\$ 308,679	\$ 290,540	\$ 260,342
Revenue adjustments	18	419	558	1,215	312	(797)	1,317
Non-GAAP revenue	\$ 334,302	\$ 284,749	\$ 397,205	\$ 351,765	\$ 308,991	\$ 289,743	\$ 261,659
GAAP net income	\$ 40,338	\$ 32,430	\$ 49,106	\$ 40,609	\$ 32,428	\$ 37,265	\$ 27,917
Revenue adjustments	18	419	558	1,215	312	(797)	1,317
Inventory fair value amortization				453			
Share based compensation expense	11,947	9,959	12,930	9,580	8,702	6,439	5,456
Amortization of acquired intangible assets	5,301	5,051	6,765	7,424	6,782	5,887	6,037
Business development and integration expense	6,175	482	523	1,618	4,715	755	
Compensation for post combination services	1,393	1,685	2,215	2,721	438		
Restructuring charges				1,065	603		
Loss on extinguishment of debt					690		
Income tax adjustments	(8,727)	(6,034)	(7,879)	(8,671)	(7,700)	(4,668)	(4,868)
Non-GAAP net income	\$ 56,445	\$ 43,992	\$ 64,218	\$ 56,014	\$ 46,970	\$ 44,881	\$ 35,859
GAAP diluted net income per share	\$ 0.97	\$ 0.77	\$ 1.17	\$ 0.96	\$ 0.76	\$ 0.87	\$ 0.67
Per share impact of non-GAAP adjustments identified above	0.38	0.28	0.36	0.36	0.34	0.17	0.19
Non-GAAP diluted net income per share	\$ 1.35	\$ 1.05	\$ 1.53	\$ 1.32	\$ 1.10	\$ 1.04	\$ 0.86

**Unaudited Pro Forma Combined Consolidated Information of NetScout and the Communications Business**

The following unaudited pro forma combined financial information was prepared using the historical consolidated financial statements of NetScout and the combined financial statements of the Communications Business. The unaudited pro forma combined financial information, including the notes thereto, should be read in conjunction with the following historical financial statements and accompanying notes for the applicable periods, which are incorporated by reference or included in this document:

NetScout's audited consolidated financial statements for the fiscal year ended March 31, 2014 (fiscal year 2014) included in NetScout's Annual Report on Form 10-K which was filed with the SEC on May 20, 2014 (incorporated by reference);

NetScout's unaudited consolidated financial statements for the nine month period ended December 31, 2014 included in NetScout's Quarterly Report on Form 10-Q which was filed with the SEC on January 27, 2015 (incorporated by reference);

The Communications Business' audited combined financial statements for the year ended December 31, 2013 included in this document; and

The Communications Business' unaudited condensed combined financial statements for the nine month period ended September 26, 2014 included in this document.

The accompanying unaudited pro forma combined financial statements give pro forma effect to the acquisition of all of the outstanding common units of the Communications Business by NetScout assuming an equity consideration of \$2,380.6 million, paid in NetScout Systems, Inc. common stock based on the closing price of NetScout common stock as of November 21, 2014 (the Communications Business Acquisition).

NetScout's fiscal year 2014 ended on March 31, 2014. The Communications Business' corresponding fiscal year ended on December 31, 2013. The unaudited interim pro forma combined balance sheet assumes that the



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Communications Business Acquisition took place on December 31, 2014 and combines NetScout's historical consolidated balance sheet as of December 31, 2014 with the Communications Business historical unaudited combined condensed balance sheet as of September 26, 2014 (Communications Business interim period end) and applies pro forma adjustments to the resulting amounts.

The unaudited pro forma combined statements of operations for the fiscal year ended March 31, 2014, and the nine month period ended December 31, 2014 assume that the Communications Business Acquisition took place on the first day of fiscal year 2014 (April 1, 2013). The unaudited pro forma combined statement of operations for the year ended March 31, 2014 combines NetScout's historical consolidated statement of operations for the fiscal year 2014 with the Communications Business historical combined statement of operations for the fiscal year ended December 31, 2013 and applies pro forma adjustments to the resulting amounts. The unaudited pro forma combined statement of operations for the nine months ended December 31, 2014 combines NetScout's historical consolidated statement of operations for the nine months ended December 31, 2014 with the Communications Business historical unaudited combined condensed statement of operations for the nine month fiscal period ended September 26, 2014 and applies pro forma adjustments to the resulting amounts.

The unaudited pro forma combined financial information has been prepared by NetScout management and is based on the estimates and assumptions set forth in the notes to such information. The unaudited pro forma combined financial information is being presented for illustrative purposes only and, therefore, is not necessarily indicative of the consolidated results of operations or financial position that might have been achieved by the combined company for the dates or periods indicated, nor is it necessarily indicative of the results of operations or financial position of the combined company that may occur in the future.

The unaudited pro forma combined financial information has been prepared using the acquisition method of accounting for business combinations under accounting principles generally accepted in the United States. The unaudited pro forma adjustments related to the Communications Business Acquisition are preliminary and do not reflect the final purchase price or final allocation of the excess of the purchase price over the net book value of the net assets of the Communications Business. The final purchase price and allocation of the purchase price will be based on the fair value of assets and liabilities that exist at the closing date of the Communications Business Acquisition. Accordingly, the pro forma purchase price adjustments are preliminary and are subject to further adjustments as additional information becomes available and additional analysis is performed. Upon closing of the acquisition, final valuations will be performed. The completion of the valuation, accounting for the Communications Business Acquisition and the allocation of the purchase price may be different than that of the amounts reflected in the pro forma purchase price allocation, and any differences could be material. Such differences could affect the purchase price and allocation of the purchase price, which may affect the value assigned to the tangible or intangible assets and amount of depreciation and amortization expense recorded in the combined statements of operations. There can be no assurance that NetScout will not alter the financing structure of the Communications Business Acquisition described herein.

The unaudited pro forma combined financial information contains only adjustments that are factually supportable, directly attributable to the Transactions and with respect to the pro forma combined statements of operations, expected to have a continuing impact on the combined business. The unaudited pro forma combined financial information does not reflect any cost savings or synergies that NetScout may realize after the completion of the Communications Business Acquisition.



**Table of Contents****NETSCOUT SYSTEMS, INC.****UNAUDITED PRO FORMA COMBINED BALANCE SHEET****(Dollar information in thousands)**

	<b>NetScout Systems, Inc. As of December 31, 2014</b>	<b>Communications Business As of September 26, 2014</b>	<b>Transaction Adjustments</b>	<b>Pro Forma Adjustments</b>	<b>Pro Forma As of December 31, 2014</b>
<b>ASSETS</b>					
<b>CURRENT ASSETS:</b>					
Cash and cash equivalents	\$ 106,704	\$	\$ 5,517(B)	\$	\$ 112,221
Marketable Securities	87,967				87,967
Accounts receivable, net	83,415	150,486	13,592(D)		247,493
Inventories	10,274	41,152		22,317(F)	73,743
Prepaid income taxes	2,864			2,926(L)	5,790
Deferred income taxes	14,174		19,125(A)	(10,282)(K)	23,017
Prepaid expenses and other current assets	9,846	25,443	(19,125)(A)	21,625(H)	37,789
Total current assets	315,244	217,081	19,109	36,586	588,020
<b>NONCURRENT ASSETS:</b>					
Fixed assets, net	23,016	46,241	(15,815)(C)	1,617(G)	55,059
Goodwill	200,271	708,999		919,696(H)	1,828,966
Intangible assets, net	52,469	211,372		841,928(I)	1,105,769
Deferred income taxes			4,634(A)		4,634
Long-term marketable securities	46,055				46,055
Other assets	1,873	5,722	2,210(A)(E)		9,805
Total assets	\$ 638,928	\$ 1,189,415	\$ 10,138	\$ 1,799,827	\$ 3,638,308
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>					
<b>CURRENT LIABILITIES:</b>					
Accounts payable	\$ 10,927	\$ 40,012	\$	\$	\$ 50,939
Accrued compensation	39,369		35,484(A)		74,853
Accrued other	11,026	68,192	(35,594)(A)	11,000(L)	54,624
Income taxes payable					

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Deferred income taxes			110(A)		110
Deferred revenue	107,595	143,039		(57,112)(J)	193,522
<b>Total current liabilities</b>	<b>168,917</b>	<b>251,243</b>		<b>(46,112)</b>	<b>374,048</b>
<b>NONCURRENT LIABILITIES:</b>					
Other long-term liabilities	2,147	86,395	(70,785)(A)		17,757
Deferred tax liability - noncurrent	2,679		65,268(A)	318,795(K)	386,742
Accrued long-term retirement benefits	1,586		5,517(A)		7,103
Long-term deferred revenue	27,036	32,281		(15,773)(J)	43,544
Contingent liabilities, net of current portion	4,445				4,445
<b>Total liabilities</b>	<b>206,810</b>	<b>369,919</b>		<b>256,910</b>	<b>833,639</b>
<b>COMMITMENTS AND CONTINGENCIES</b>					
<b>STOCKHOLDERS EQUITY:</b>					
Preferred stock					
Parent's investment		829,644	10,138(B)(C)(D)(E)	(839,782)(L)	
Common stock	51			63(L)	114
Additional paid-in capital	292,059			2,380,562(L)(H)	2,672,621
Treasury stock	(149,345)				(149,345)
Retained earnings	290,905			(8,074)(L)	282,831
Accumulated other comprehensive income (loss)	(1,552)	(10,148)		10,148(L)	(1,552)
<b>Total stockholders equity</b>	<b>432,118</b>	<b>819,496</b>	<b>10,138</b>	<b>1,542,917</b>	<b>2,804,669</b>
<b>Total liabilities and stockholders equity</b>	<b>\$ 638,928</b>	<b>\$ 1,189,415</b>	<b>\$ 10,138</b>	<b>\$ 1,799,827</b>	<b>\$ 3,638,308</b>

See accompanying notes to unaudited pro forma combined financial information, including Note 2 for an explanation of the preliminary pro forma adjustments.

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## NETSCOUT SYSTEMS, INC.

## UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS

(Dollar and share information in thousands except per share data)

	NetScout Systems, Inc. Fiscal Year ended March 31, 2014	Communications Business Fiscal Year ended December 31, 2013	Pro Forma Adjustments	Pro Forma Fiscal Year ended March 31, 2014
Revenue:				
Product	\$ 234,268	\$ 623,632	\$ (14,242)(P)	\$ 843,658
Service	162,379	211,259	(37,707)(M)	335,931
Total revenue	396,647	834,891	(51,949)	1,179,589
Cost of revenue				
Product	51,219	195,077	35,997(O)(P)(S)	282,293
Service	33,294	48,043	469(S)	81,806
Total cost of revenue	84,513	243,120	36,466	364,099
Gross profit	312,134	591,771	(88,415)	815,490
Operating expenses:				
Research and development	70,454	147,553	2,142(S)	220,149
Sales and marketing	129,611	276,896	(98,474)(A)(S)	308,033
General and administrative	30,623		102,490(A)(S)	133,113
Amortization of acquired intangible assets	3,432	19,661	24,218(P)	47,311
Impairment of intangible assets		31,063		31,063
Total operating expenses	234,120	475,173	30,376	739,669
Income from operations	78,014	116,598	(118,791)	75,821
Interest and other expense, net:				
Interest income	309			309
Interest expense	(768)			(768)
Other income/(expense), net	301			301
Total other income (expense)	(158)			(158)
Income (loss) before income tax expense	77,856	116,598	(118,791)	75,663
Income tax expense	28,750	32,792	(45,140)(Q)	16,402

Net income (loss)	\$	49,106	\$	83,806	\$	(73,651)	\$	59,261
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## Per share information:

## Earnings per share:

Basic	\$	1.19		\$	0.57
Diluted	\$	1.17		\$	0.57

Weighted average shares  
outstanding:

Basic	41,366	62,500(R)	103,866
Diluted	41,955	62,542(R)	104,497

See accompanying notes to unaudited pro forma combined financial information, including Note 2 for an explanation of the preliminary pro forma adjustments.

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## NETSCOUT SYSTEMS, INC.

## UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS

(Dollar and share information in thousands except per share data)

	NetScout Systems, Inc. Nine months ended December 31, 2014	Communications Business Nine months ended September 26, 2014	Pro Forma Adjustments	Pro Forma Nine months ended December 31, 2014
Revenue:				
Product	\$ 198,765	\$ 399,191	\$ (3,756)(P)	\$ 594,200
Service	135,519	167,625	(10,822)(M)	292,322
Total revenue	334,284	566,816	(14,578)	886,522
Cost of revenue				
Product	45,015	136,304	24,101(O)(P)(S)	205,420
Service	26,158	39,415	40(S)	65,613
Total cost of revenue	71,173	175,719	24,141	271,033
Gross profit	263,111	391,097	(38,719)	615,489
Operating expenses:				
Research and development	56,872	123,454	181(S)	180,507
Sales and marketing	104,304	204,083	(60,980)(A)(S)	247,407
General and administrative	33,211		55,144(A)(N)(S)	88,355
Amortization of acquired intangible assets	2,539	12,390	41,251(P)	56,180
Total operating expenses	196,926	339,927	35,596	572,449
Income (loss) from operations	66,185	51,170	(74,315)	43,040
Interest and other expense, net:				
Interest income	298			298
Interest expense	(580)			(580)
Other income/(expense), net	(904)			(904)
Total other income (expense)	(1,186)			(1,186)
Income (loss) before income tax expense	64,999	51,170	(74,315)	41,854
Income tax expense	24,661	15,976	(28,240)(Q)	12,397

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Net income (loss)	\$	40,338	\$	35,194	\$	(46,075)	\$	29,457
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Per share information:

Earnings (loss) per share:

Basic	\$	0.98			\$	0.28
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Diluted	\$	0.97			\$	0.28
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Weighted average shares outstanding:

Basic		41,128		62,500(R)		103,628
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Diluted		41,679		62,532(R)		104,211
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See accompanying notes to unaudited pro forma combined financial information, including Note 2 for an explanation of the preliminary pro forma adjustments.



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**NETSCOUT SYSTEMS, INC.**

**NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION**

**Note 1 Basis of Presentation**

On October 13, 2014, Danaher announced a definitive agreement with NetScout to combine the Communications Business with NetScout (the Transaction solely for purposes of this section). The Transaction will be structured as a distribution of the Communications Business to Danaher stockholders in either a spin-off transaction, a split-off transaction, or a combination split-off and spin-off, followed by a merger with a subsidiary of NetScout for consideration of 62.5 million NetScout shares, subject to adjustment. Both the distribution and merger are expected to qualify as tax-free transactions to Danaher and its stockholders, except to the extent that cash is paid to Danaher stockholders in lieu of fractional shares. If Danaher elects a spin-off, all Danaher stockholders will participate pro-rata. If Danaher elects a split-off, Danaher will conduct an exchange offer pursuant to which its stockholders will elect whether to exchange Danaher shares for common units of Newco. If the split-off exchange offer is not fully subscribed, the additional Newco common units held by Danaher will be distributed in a spin-off on a pro rata basis to Danaher stockholders. Danaher will determine which approach it will take prior to closing the transaction and no decision has been made at this time. At closing, depending on the number of shares of NetScout common stock outstanding, Danaher stockholders will receive approximately 59.5% of the shares of NetScout stock outstanding following the combination. NetScout will be the legal and accounting acquirer. The Transaction is expected to be completed in 2015.

In connection with the Merger Acquisition Agreements, it is currently expected that Newco common unit holders will receive, in aggregate, 62.5 million shares of NetScout, or a ratio of one NetScout share for each Newco common unit.

The pro forma combined financial information has been prepared for illustrative purposes only and does not purport to be indicative of the actual results that would have been achieved by NetScout if the Communications Business Acquisition had already occurred for the periods presented or that will be achieved in the future.

The accompanying unaudited pro forma combined balance sheet assumes the Communications Business Acquisition took place on December 31, 2014 and combines NetScout's historical consolidated balance sheet as of December 31, 2014 with the Communications Business historical unaudited combined condensed balance sheet as of September 26, 2014 and applies pro forma adjustments to the resulting amounts.

The unaudited pro forma combined statements of operations for the fiscal year ended March 31, 2014 and the nine months ended December 31, 2014 assume that the Communications Business Acquisition took place on the first day of the earliest period presented (April 1, 2013). The unaudited pro forma combined statement of operations for the year ended March 31, 2014 combines NetScout's historical consolidated statement of operations for the fiscal year 2014 with the Communications Business historical combined condensed statement of operations for the fiscal year ended December 31, 2013 and applies pro forma adjustments to the resulting amounts. The unaudited pro forma combined statement of operations for the nine months ended December 31, 2014 combines NetScout's historical consolidated statement of operations for the nine months ended December 31, 2014 with the Communication Business historical combined condensed statement of operations for the nine months ended September 26, 2014 and applies pro forma adjustments to the resulting amounts.

The unaudited pro forma combined statement of operations for the year ended March 31, 2014 has been prepared utilizing period ends that differ by less than 93 days, as permitted by Regulation S-X. Omitted from the unaudited pro forma combined statement of operations for the year ended March 31, 2014 are the results of operations of the

Communications Business for the three months ended March 28, 2014 ( Communications Business Fiscal Q1 2014 ). The results of operations of the Communications Business for the three months ended March 29, 2013 ( Communications Business Fiscal Q1 2013 ) have been included in lieu of the omitted period. The Communications Business Fiscal Q1 2014 reflected product revenue, service revenue, gross profit

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**NETSCOUT SYSTEMS, INC.**

**NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION (Continued)**

and income from operations of \$168.9 million, \$54.6 million, \$159.8 million, and \$43.5 million, respectively. The Communications Business Fiscal Q1 2013 reflected product revenue, service revenue, gross profit and income from operations of \$171.0 million, \$48.1 million, \$156.4 million, and \$51.6 million, respectively.

Certain reclassifications have been included within the pro forma adjustments to conform the Communications Business historical financial statements to NetScout's financial statement classifications. Upon completion of the Communications Business Acquisition, NetScout will perform a further review of the Communication Business accounting policies. As a result of that review, NetScout may identify additional differences between the accounting policies of the two companies that, when conformed, could have a material impact on the combined financial statements.

**Note 2 Unaudited Pro Forma Adjustments**

The pro forma adjustments included in the accompanying information do not reflect the final purchase price or final allocation of the excess of the purchase price over the net book value of the net assets of the Communications Business. The fair value assigned to the various tangible and intangible assets acquired, including goodwill, is preliminary and subject to change. Final adjustments may result in a materially different purchase price and allocation of the purchase price, which will affect the value assigned to the tangible or intangible assets and the depreciation and amortization expense recorded in the consolidated statements of operations.

*Unaudited Pro Forma Combined Balance Sheet*

*Transaction Adjustments*

- (A) Represents reclassifications within the balance sheet and statements of operations of the Communications Business to conform them to the classifications of the financial statements of NetScout. The reclassifications relate to breaking out financial statement captions not separately disclosed in the financial statements of the Communications Business.
- (B) Represents the funding by Danaher of certain pension and post-retirement plans that are being assumed by NetScout such that the cash to be received from Danaher is equivalent to the projected benefit obligation as of December 31, 2014.
- (C) Represents the elimination of the carrying value of certain property from the historic balance sheet of the Communications Business, which will be retained by Danaher after the Transactions.

(D) Represents a receivable related to the pre-closing liabilities of the Communications Business that are to be paid by NetScout and fully reimbursed by Danaher pursuant to the Merger Agreement.

(E) Represents a contingent receivable of \$6.8 million related to income tax matters for which NetScout has been indemnified by Danaher pursuant to the Merger Agreement. The actual amounts that NetScout may be obligated to pay and ultimately reimbursed by Danaher could vary depending upon the outcome of the unresolved tax matters, which may not be resolved for several years.

*Pro Forma Adjustments*

(F) Represents the adjustment to the inventory at Communications Business, in order to record the inventory of Communications Business at its estimated fair value. The related inventory is expected to be sold within the

**Table of Contents****NETSCOUT SYSTEMS, INC.****NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION (Continued)**

next three months; therefore the adjustment has not been reflected in the accompanying pro forma combined statements of operations, as it will not have a continuing impact on the combined entity.

- (G) Represents the adjustment to the net book value of the plant, property and equipment of the Communications Business, in order to record it at its fair value as of the assumed acquisition date.
- (H) Represents the elimination of the historical goodwill of the Communications Business of \$709.0 million and the addition of goodwill of \$1,628.7 million related to the Communications Business Acquisition. A preliminary calculation of the goodwill based on the excess of estimated purchase price over the fair values of the assets acquired and liabilities assumed resulting from the Communications Business Acquisition is shown below (in thousands):

**Purchase Price Allocation:**

Total equity consideration	2,380,625(1)
Less: Equity consideration for replacement awards	(21,625)(2)

**Estimated purchase price** **2,359,000**

## Estimated fair value of assets acquired and liabilities assumed:

Cash	5,517
Accounts Receivable	164,078
Inventories	63,470
Prepaid Expenses and Other Assets	14,250
Property, Plant and Equipment	32,043
Trademarks	47,200
Customer Relationships	751,400
Developed Technology	228,800
Other Intangible Assets	25,900
Accounts Payable	(40,012)
Accrued Compensation	(35,484)
Accrued Other	(48,209)
Deferred Revenue	(102,435)
Accrued Retirement Benefits	(5,517)
Deferred tax liabilities, net	(370,696)

**Goodwill** **1,628,695**

- (1) Represents 62.5 million new shares of common stock of NetScout, expected to be issued to the existing common unit holders of Newco based on the November 21, 2014 NetScout common stock closing share price of \$38.09 per share. The final consideration could significantly differ from the amounts presented in the unaudited pro forma financial information due to movement in the price of NetScout common stock as of the closing of the Merger.
  
- (2) Represents the value of certain outstanding Danaher equity awards held by Newco employees for which continuing employees will receive value after the closing date. A portion of this amount relates to awards that have been modified such that the awards are expected to be vested in Danaher shares after the anticipated closing date of the Merger. These future compensation amounts will be settled in shares other than shares of the acquired business. The balance of this amount also represents future compensation expense and relates to a cash award to be paid by NetScout to acquired Newco employees on the later of the first anniversary of the transaction closing date or August 4, 2016. The cash payment by NetScout will be reimbursed by Danaher. These items are further described in the Separation and Distribution Agreement and have been accounted for separately from the Communications Business Acquisition.

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**NETSCOUT SYSTEMS, INC.**

**NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION (Continued)**

The final purchase price will vary based on the trading price of NetScout common stock on the date that the Transactions close. For purposes of this unaudited pro forma combined financial information, it has been assumed to be the closing share price as of November 21, 2014. For each \$1 change in the price of NetScout common stock, the estimated purchase price will increase or decrease by approximately \$62.5 million. Such an increase or decrease would result in an increase or decrease to goodwill from that shown in the unaudited pro forma combined balance sheet as of December 31, 2014. The final allocation of the purchase price may have a material impact on the pro forma combined balance sheet and therefore final goodwill recorded could be materially different than the amount calculated.

The proposed transaction results in the recognition of significant intangible assets which requires management to make assumptions and estimates to determine the fair value of these assets. The following discussion sets forth the methodologies, assumptions and estimates used in the preliminary determination set forth in these pro forma financial statements:

Trademarks have been valued using the relief from royalty method for each significant portfolio of trademarks to be acquired. This method requires management to estimate the future revenues associated with trademarks, estimate a market royalty rate for the use of the trademarks, estimate an effective tax rate, and estimate a discount rate used to calculate the present value of the savings generated by purchasing the trademarks versus paying projected royalty payments to third parties.

Customer relationships have been valued using an excess earnings approach. This method requires management to estimate the future revenues associated with each existing customer base, estimate a customer attrition rate, estimate contributory asset charges, estimate operating expenses associated with obtaining new customers and developing new products, estimate an effective tax rate, and estimate a discount rate used to calculate the present value of the future expected cash inflows from the existing customer base.

Developed technology assets have been valued using the relief from royalty method. This method requires management to estimate the future revenues associated with the technologies to be acquired, estimate technology migration curves for the identified technologies, estimate a market royalty rate for the use of the technologies being acquired, estimate an effective tax rate, and estimate a discount rate used to calculate the present value of the savings generated by purchasing the technology versus paying projected royalty payments to third parties.

Other intangibles primarily relate to projected backlog. Valuing the backlog intangibles required management to estimate the revenues associated with in-process orders and the costs associated with fulfilling those orders.

Future revenues were estimated using both projections provided by the Communications Business and NetScout's own assumptions and projections. Royalty rates were estimated by calculating an average of selected market observable royalty rates for similar trademarks and technologies. Discount rates were estimated by adjusting the implied discount rate from NetScout's deal model for risks associated with individual assets based on the characteristics of each asset. Management estimated the tax rate at 38% which approximates a blended effective rate for the tax jurisdictions where

these assets reside. Customer attrition and technology migration curves were calculated using historical information of the Communications Business about changes in the customer base and in technology source code. Finally, costs to fulfill orders were estimated based on existing financial metrics and costs associated with the intangible assets being acquired. These assumptions are considered reasonable by management and are Level Three fair value measures under US generally accepted accounting principles.

- (I) Represents the elimination of \$211.4 million of the historical Communications Business intangible assets and the allocation of \$1,053.3 million of the estimated purchase price of the Communications Business Acquisition to intangible assets comprising of the asset classes shown in Note (H) above.



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**NETSCOUT SYSTEMS, INC.**

**NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION (Continued)**

- (J) Represents the adjustment necessary to recognize the fair value of the performance obligations assumed by NetScout for deferred revenue of the Communications Businesses.
- (K) Represents a net increase to deferred tax liabilities resulting from the assignment of a portion of the estimated purchase price allocation to identifiable tangible and intangible assets which are not expected to be deductible for tax purposes (\$323.1 million), as well as the valuation of historical deferred tax assets of the Communications Business (\$6.0 million).
- (L) Reflects the (i) elimination of the historical equity of the Communications Business (which results in a reduction to pro forma equity of \$829.6 million after consideration of funding of certain liabilities by Danaher as noted in notes (B)(D) and (E) as well as other transaction adjustments noted in note (C)); (ii) addition of equity recorded for the issuance of 62.5 million shares of NetScout common stock issued as Equity Consideration at the November 21, 2014 price of \$38.09 per share (which results in an increase in pro forma equity of \$2,380.6 million); and (iii) an \$8.1 million (after tax) impact to retained earnings of transaction costs associated with the Communication Business Acquisition. As these transaction costs are not expected to have a continuing impact on the combined entity, they were not included in the pro forma combined statements of operations for any period presented; however, pro forma effect has been given to the incurrence of all expected transaction costs in the pro forma combined balance sheet as of December 31, 2014. The net effect of these adjustments to pro forma equity is an increase of \$1,542.9 million.

*Unaudited Pro Forma Combined Statements of Operations*

- (M) Represents the adjustment to revenues to reflect the measurement of deferred revenue based upon the fair value of the performance obligation assumed.
- (N) Represents the elimination of non-recurring transaction costs incurred during the nine month period ended December 31, 2014 of \$6.2 million that are directly related to the Transactions. No transaction costs were incurred during the fiscal year ended March 31, 2014.
- (O) Represents the net adjustment necessary to reflect the elimination of depreciation of certain property that is being retained by Danaher as part of the transactions and the additional lease expense that will be incurred in relation to such buildings pursuant to the Merger Agreements. Depreciation expense recorded in the Communications Businesses for this property not acquired was \$1.0 million and \$0.7 million for the year ended December 31, 2013 and the nine months ended September 26, 2014, respectively. Total rent expense to be recorded for the year ended March 31, 2014 and the nine months ended December 31, 2014 is \$2.3 million and \$1.7 million,

respectively.

(P) Reflects the pro forma adjustments for the amortization expense resulting from the allocation of a portion of the estimated purchase price of the Communications Business Acquisition to intangible assets. NetScout has estimated the pro forma amortization expense of acquired intangibles for the following periods based upon the estimated fair value and expected remaining useful lives (in thousands):

#### Acquired Intangible Asset

<b>Amortization:</b>	<b>Classification of Expense</b>	<b>Nine Months Ended December 31, 2014</b>	<b>Year Ended March 31, 2014</b>
Leasehold Interest	Amortization of intangible assets	\$ 1,506	\$ 2,008
Customer Relationships	Amortization of intangible assets	45,750	33,741
Backlog	Revenue	3,756	14,242
Trademarks	Amortization of intangible assets	6,385	8,130
Developed Technology	Cost of sales	30,630	43,916
<b>Total Acquired Intangible Asset Amortization</b>		<b>\$ 88,027</b>	<b>\$ 102,037</b>

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## NETSCOUT SYSTEMS, INC.

## NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION (Continued)

In addition, this adjustment reflects the elimination of the Communications Business historical intangible amortization as follows (in thousands):

Historical Intangible Asset Amortization:	Classification of Expense	Nine Months Ended	
		December 31, 2014	Year Ended March 31, 2014
Technology	Cost of sales	\$ 7,553	\$ 9,344
Customer relationships and Other Intangible Assets	Amortization of intangible assets	12,390	19,661
<b>Total Historical Intangible Asset Amortization</b>		<b>\$ 19,943</b>	<b>\$ 29,005</b>

- (Q) Reflects the estimated tax effect of pro forma adjustments to income before provision for income taxes using an estimated blended statutory rate of 38.0% for the periods presented based on the impact of the Communications Business Acquisition on the combined company, as the effective rate approximates the statutory rate for the periods presented.
- (R) Reflects the pro forma total number of shares outstanding giving effect to the common stock issued as consideration for the Communications Business Acquisition and the Retention Awards. The pro forma weighted average number of shares of NetScout common stock outstanding for the fiscal year ended March 31, 2014 and the nine months ended December 31, 2014 have been calculated as if the common stock issued as part of the Communications Business Acquisition and the replacement equity awards had been issued or purchased as of April 1, 2013. The following table sets forth the computation of pro forma adjustment to basic and diluted shares for the following periods (in thousands):

	Nine Months Ended		Year Ended	
	December 31, 2014	December 31, 2014	March 31, 2014	March 31, 2014
	Basic	Diluted	Basic	Diluted
NetScout, Inc. common shares outstanding	41,128	41,679	41,366	41,955
Record new equity issued to Danaher Shareholders	62,500	62,500	62,500	62,500
Dilutive impact of replacement awards		32		42
<b>Pro Forma Common Shares Outstanding</b>	<b>103,628</b>	<b>104,211</b>	<b>103,866</b>	<b>104,497</b>

- (S) Reflects the incremental expense related to compensation arrangements entered into pursuant to the Communications Business Acquisition Agreements of \$6.7 million for the year ended March 31, 2014 and \$0.6 million for the nine months ended December 31, 2014. The incremental expense for each period is classified within the unaudited pro forma combined statement of operations as follows:

	<b>Nine Months Ended December 31, 2014</b>	<b>Year Ended March 31, 2014</b>
Cost of product	\$ 6	\$ 67
Cost of service	40	469
Research & development	181	2,142
Sales & marketing	158	1,874
General & administrative	181	2,142
<b>Total Incremental Expense</b>	<b>\$ 566</b>	<b>\$ 6,694</b>

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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND  
RESULTS OF OPERATIONS FOR THE COMMUNICATIONS BUSINESS**

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND  
RESULTS OF OPERATIONS**

Management's Discussion and Analysis of Financial Condition and Results of Operations ( MD&A ) is designed to provide a reader of the financial statements with a narrative from the perspective of the management of the Communications Business. The MD&A should be read in conjunction with the Communications Business Combined Financial Statements for the nine months ended September 26, 2014 and the year ended December 31, 2013. The MD&A is divided into five sections:

Basis of Presentation and Overview

Results of Operations

Risk Management

Liquidity and Capital Resources

Critical Accounting Estimates

**BASIS OF PRESENTATION**

The Communications Business consists of the Tektronix Communications and Arbor Networks businesses, and certain parts of the Fluke Networks Enterprise business of Danaher and is a leading provider of products and solutions used in the design, deployment, monitoring and security of traditional, virtualized, mobile and cloud-based networks operated by communications service providers, hosting service providers, enterprises and government agencies worldwide. The Communications Business derives revenue principally by developing, manufacturing, and selling a broad range of hardware, software and support services.

On October 13, 2014, Danaher announced a definitive agreement with NetScout to combine the Communications Business with NetScout whereby Danaher will distribute to its stockholders all of the common units of Newco, a wholly owned subsidiary. Prior to the closing of the distribution, Danaher will cause specified assets used in, and liabilities of, the Communications Business to be conveyed to Newco (the Transaction solely for purposes of this section). The distribution of Newco common units to Danaher stockholders will be effected as either a spin-off transaction, a split-off transaction, or a combination split-off and spin-off, followed by a merger with a subsidiary of NetScout for consideration of 62.5 million NetScout shares, subject to adjustment. Both the distribution and merger are expected to qualify as tax-free transactions to Danaher and its stockholders, except to the extent that cash is paid to Danaher stockholders in lieu of fractional shares. If Danaher elects a spin-off, all Danaher stockholders will participate pro-rata. If Danaher elects a split-off, Danaher will conduct an exchange offer pursuant to which its stockholders will

elect whether to exchange Danaher shares for common units of Newco. If the split-off exchange offer is not fully subscribed, the additional Newco common units held by Danaher will be distributed in a spin-off on a pro rata basis to Danaher stockholders. Danaher will determine which approach it will take prior to closing the transaction and no decision has been made at this time. At closing, depending on the number of shares of NetScout common stock outstanding, Danaher stockholders will receive approximately 59.5% of the shares of NetScout stock outstanding following the combination. The Transaction is expected to be completed in 2015.

The accompanying combined financial statements present the historical financial position, results of operations, changes in Parent's equity and cash flows of the Communications Business of Danaher in accordance with GAAP for the preparation of carved-out combined financial statements.

The Communications Business has historically operated as part of Danaher and not as a stand-alone company and has no separate legal status or existence. The financial statements have been derived from Danaher's historical accounting records and are presented on a carve-out basis. All revenues and costs as well as assets and liabilities

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directly associated with the business activity of the Communications Business are included as a component of the financial statements. The financial statements also include allocations of certain general, administrative, sales and marketing expenses and cost of sales from Danaher's corporate office and from other Danaher businesses to the Communications Business and allocations of related assets, liabilities, and Parent's investment, as applicable. The allocations have been determined on a reasonable basis; however, the amounts are not necessarily representative of the amounts that would have been reflected in the financial statements had the Communications Business been an entity that operated independently of Danaher. Related party allocations are discussed further in Note 16 of the Notes to the Combined Financial Statements for the year ended December 31, 2013.

As part of Danaher, the Communications Business is dependent upon Danaher for all of its working capital and financing requirements as Danaher uses a centralized approach to cash management and financing of its operations. Financial transactions relating to the Communications Business are accounted for through the Parent investment account of the Communications Business. Accordingly, none of Danaher's cash, cash equivalents or debt at the corporate level has been assigned to the Communications Business in the financial statements.

Net parent investment, which includes retained earnings, represents Danaher's interest in the recorded net assets of the Communications Business. All significant transactions between the Communications Business and Danaher have been included in the accompanying Combined Financial Statements for the year ended December 31, 2013. Transactions with Danaher are reflected in the accompanying Combined Statements of Changes in Parent's Equity as Net transfers from (to) parent and in the accompanying Combined Balance Sheets within Net parent investment.

All significant intercompany accounts and transactions between the operations comprising the Communications Business have been eliminated in the accompanying Combined Financial Statements for the year ended December 31, 2013.

**OVERVIEW****General**

Please see Information on the Communications Business for a discussion of the Communications Business products and services, customer base, and the strategy of the business. The Communications Business is a multinational corporation that serves communication service providers and enterprise networks in all major geographic regions. During 2013, approximately 41% of the Communications Business sales were derived from customers outside the United States. As a global business, the Communications Business operations are affected by worldwide, regional and industry-specific economic and political factors, as well as technology trends in the markets served. As a result of the Communications Business geographic diversity, as well as the breadth of product offerings across a broad segment of communication industry customers, the Communications Business faces a variety of opportunities and challenges, including rapid technological development, the increasing bandwidth requirement of networks, a concentration of customers in North America, the expansion and evolution of opportunities in high-growth markets, trends and costs associated with a global labor force, and competition from local competitors as well as new market entrants. The Communications Business operates in a highly competitive business environment, and the Communications Business long-term growth and profitability will depend in particular on its ability to maintain and expand business with existing customers in both North America and on a global basis and to provide continually enhanced technology solutions that address customer needs.

**Restructuring Activities**

In light of shifts in demand and consistent with the Communications Business approach of positioning itself to provide superior products and services to its customers in a cost efficient manner, the Communications Business will, from time to time, initiate actions to improve productivity and reduce cost, incurring severance and other reorganization costs to do so. As a result of these actions, the Communications Business recorded restructuring and other related charges of \$5,529,000, \$2,340,000 and \$3,421,000, in 2013, 2012 and 2011, respectively; of which approximately 91%, 55% and 89%, in each respective year was included in selling general



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and administrative expenses in the accompanying Combined Statements of Earnings, with the remaining amount charged to cost of sales. In each year, the amounts are predominantly cash charges.

**Acquisitions**

During 2013, the Communications Business acquired two businesses for total consideration of \$74,719,000 in cash, net of cash acquired. The businesses acquired enhanced the technology platforms and research and development capabilities of the Communications Business. The aggregate annual sales of these two businesses at the time of their respective acquisitions, in each case based on the business revenues for its last completed fiscal year prior to the acquisition, were approximately \$13,100,000.

There were no business acquisitions during the nine months ended September 26, 2014. For a discussion of the Communications Business 2012 and 2011 acquisition activity, refer to Liquidity and Capital Resources Investing Activities.

**RESULTS OF OPERATIONS****Comparison of Results of Operations for the Nine Months Ended September 26, 2014 and September 27, 2013**

(\$ in thousands)	<b>Nine Months Ended</b>	
	<b>September 26, 2014</b>	<b>September 27, 2013</b>
<b>Sales:</b>		
Products	\$ 399,191	\$ 457,285
Services	167,625	154,237
<b>Total sales</b>	<b>566,816</b>	<b>611,522</b>
<b>Cost of sales:</b>		
Products	(136,304)	(143,248)
Services	(39,415)	(35,035)
<b>Total cost of sales</b>	<b>(175,719)</b>	<b>(178,283)</b>
<b>Gross profit:</b>		
Products	262,887	314,037
Services	128,210	119,202
<b>Total gross profit</b>	<b>391,097</b>	<b>433,239</b>
<b>Operating costs and other</b>		
Selling, general and administrative expenses	(204,083)	(197,279)
Research and development expenses	(123,454)	(108,923)
Amortization of intangible assets	(12,390)	(14,724)
<b>Earnings before income taxes</b>	<b>51,170</b>	<b>112,313</b>
Income Taxes	(15,976)	(32,185)

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Net Earnings	\$ 35,194	\$ 80,128
Product gross profit as a % of product sales	65.9%	68.7%
Service gross profit as a % of service sales	76.5%	77.3%
Total gross profit as a % of sales	69.0%	70.8%
Selling, general and administrative expenses as a % of sales	36.0%	32.3%
Research and development expenses as a % of sales	21.8%	17.8%
Earnings before income taxes as a % of sales	9.0%	18.4%

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### Sales and Backlog

The Communications Business total sales decreased \$44,706,000, or 7.3%, during the nine months ended September 26, 2014 as compared to the comparable period in 2013. Price increases contributed approximately 1.0% to sales growth during the nine months ended September 26, 2014 as compared to the comparable period in 2013.

Product sales decreased \$58,094,000, or 12.7%, during the nine months ended September 26, 2014 as compared to the comparable period in 2013, due primarily to lower product sales of telecommunications network monitoring systems in North America. Certain of the Communications Business large customers are in the process of migrating to a next-generation communication network technology infrastructure, and as a result have delayed capital spending on their networks. The Communications Business is actively working with these customers to support this transition, including by increasing research and development investments to bring to market solutions for these customers next generation technology requirements. The Communications Business anticipates this technology migration will continue to adversely impact product shipments for the remainder of 2014 and into the first half of 2015. This revenue decline was partially offset by increased product sales from recently acquired businesses which contributed \$14,155,000 during the nine months ended September 26, 2014 as compared to the comparable period in 2013 as well as mid-single digit sales growth from existing businesses in enterprise performance management and cyber security products.

Sales of services increased \$13,388,000, or 8.7%, during the nine months ended September 26, 2014 as compared to the comparable period in 2013. This sales growth was primarily as a result of continued strong demand for maintenance and service for the Communications Business growing installed base of communications network monitoring systems, cyber security systems and growth in new service offerings, including those from recently acquired businesses.

Geographically, sales decreased significantly in North America and grew moderately in Europe, Latin America, the Middle East and Africa during the nine months ended September 26, 2014 as compared to the comparable period in 2013.

Backlog at September 26, 2014 was \$299,060,000, a decrease of \$58,274,000 as compared to the balance at December 31, 2013. Orders booked during the nine months ended September 26, 2014 decreased \$21,190,000 as compared to the comparable period in 2013. These decreases are due primarily to the North American customer capital spending delays described above.

### Cost of Sales

Cost of products sales decreased \$6,944,000, or 4.8%, during the nine months ended September 26, 2014 as compared to the comparable period in 2013, due primarily to the decrease in demand for communications network monitoring systems, partially offset by increased cost of sales from recent acquisitions of approximately \$6,574,000 during the nine months ended September 26, 2014 as compared to the comparable period in 2013.

Cost of services sales increased \$4,380,000 or 12.5% during the nine months ended September 26, 2014 and grew faster than service sales due primarily to higher service costs associated with recently acquired businesses which contributed \$3,080,000. Cost of sales related to service sales from existing businesses grew at a rate comparable to revenues for the nine months ended September 26, 2014.

### Gross Profit

Gross profit declined \$42,142,000 or 180 basis points as a percent of sales during the nine months ended September 26, 2014 as compared to the comparable period in 2013.

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Products gross profit as a percent of products sales decreased 280 basis points during the nine months ended September 26, 2014 as compared to the comparable period in 2013 primarily as a result of North American sales (where margins are typically higher than in other geographies) comprising a lower percentage of total products sales as well as the dilutive impact of recent acquisitions.

Services gross profit as a percent of service sales decreased 80 basis points during the nine months ended September 26, 2014 as compared to the comparable period in 2013 as a result of the dilutive impact of recent acquisitions.

## Operating Costs and Other Expenses

Selling, general and administrative expenses increased \$6,804,000, or 370 basis points as a percent of sales, during the nine months ended September 26, 2014 as compared to the comparable period in 2013. This increase was due primarily to the following factors:

Growth investments to expand the reach of the Communications Business direct sales force in developed and emerging markets increased selling, general and administrative expenses by 270 basis points as a percent of sales.

Recent acquisitions increased selling, general and administrative expenses by 100 basis points as a percent of sales.

Research and development expenses increased \$14,531,000, or 400 basis points as a percent of sales, during the nine months ended September 26, 2014 as compared to the comparable period in 2013. The Communications Business investments in new product development, including the next-generation telecommunications monitoring platform that management anticipates will support the customer technology migration described above and expansion of the Communications Business cyber security product offerings into advanced persistent threat ( APT ), increased research and development expenses as a percent of sales by 240 basis points during the nine months ended September 26, 2014 as compared to the comparable period of 2013. In addition, recent acquisitions increased research and development expenses as a percent of sales by 160 basis points during the nine months ended September 26, 2014 as compared to the comparable period of 2013.

Amortization of intangible assets decreased \$2,334,000 during the nine months ended September 26, 2014 as compared to the comparable period in 2013. Increased amortization associated with intangible assets recorded in connection with the 2013 acquisitions were more than offset by a decrease in amortization driven by the impairment of certain finite-lived intangible assets in the fourth quarter of 2013 that reduced the amortizable asset base by \$31,063,000 as well as certain intangible assets associated with the acquisition of Tektronix in 2007 becoming fully amortized during 2013. For more information regarding this impairment charge see Results of Operations Comparison of Results of Operations for the Years Ended December 31, 2013 and December 31, 2012.

## Earnings Before Income Taxes

The Communications Business earnings before income taxes declined \$61,143,000 during the nine months ended September 26, 2014 as compared to the comparable period in 2013, or 940 basis points as a percent of sales. The reduction in earnings before income taxes as a percent of sales is due to the following factors:

The year-over-year decline in sales and incremental year-over-year costs associated with new product development, sales and marketing growth investments, net of incremental year-over-year cost savings associated with the restructuring actions and continuing productivity improvement initiatives taken in 2014 and 2013, negatively impacted earnings before income taxes as a percent of sales by 770 basis points

The dilutive impact of recent acquisitions, due primarily to higher research and development costs, negatively impacted earnings before income taxes as a percent of sales by 170 basis points.

**Table of Contents****Comparison of Results of Operations for the Years Ended December 31, 2013 and December 31, 2012**

(\$ in thousands)	<b>Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
<b>Sales:</b>		
Products	\$ 623,632	\$ 594,770
Services	211,259	190,968
<b>Total sales</b>	<b>834,891</b>	<b>785,738</b>
<b>Cost of sales:</b>		
Products	(195,077)	(189,711)
Services	(48,043)	(44,544)
<b>Total cost of sales</b>	<b>(243,120)</b>	<b>(234,255)</b>
<b>Gross profit:</b>		
Products	428,555	405,059
Services	163,216	146,424
<b>Total gross profit</b>	<b>591,771</b>	<b>551,483</b>
<b>Operating costs and other</b>		
Selling, general and administrative expenses	(276,896)	(245,403)
Research and development expenses	(147,553)	(130,872)
Amortization of intangible assets	(19,661)	(17,327)
Impairment of intangible assets	(31,063)	
<b>Earnings before income taxes</b>	<b>116,598</b>	<b>157,881</b>
<b>Income Taxes</b>	<b>(32,792)</b>	<b>(54,083)</b>
<b>Net Earnings</b>	<b>\$ 83,806</b>	<b>\$ 103,798</b>
<b>Product gross profit as a % of product sales</b>	<b>68.7%</b>	<b>68.1%</b>
<b>Service gross profit as a % of service sales</b>	<b>77.3%</b>	<b>76.7%</b>
<b>Gross profit as a % of sales</b>	<b>70.9%</b>	<b>70.2%</b>
<b>Selling, general and administrative expenses as a % of sales</b>	<b>33.2%</b>	<b>31.2%</b>
<b>Research and development expenses as a % of sales</b>	<b>17.7%</b>	<b>16.7%</b>
<b>Earnings before income taxes as a % of sales</b>	<b>14.0%</b>	<b>20.1%</b>

**Sales and Backlog**

The Communications Business total sales increased \$49,153,000, or 6.3%, during 2013 as compared to 2012. Price increases contributed approximately 1.0% to sales growth during 2013 as compared to 2012.

Product sales grew \$28,862,000, or 4.9%, in 2013 as compared to 2012 due to strong demand for telecommunications network monitoring systems, primarily in North America, as carriers continued to expand wireless telecommunication service offerings and increase the capacity of their networks. Increased demand for enterprise network performance management products and enterprise cyber security systems also contributed to growth. Recent acquisitions

contributed slightly to product sales growth.

The Communications Business service sales increased by \$20,291,000, or 10.6%, in 2013 as compared to 2012. This sales growth was primarily a result of continued strong demand for maintenance and service for the Communications Business growing installed base (which installed base increased significantly in 2012 as a result of strong year-over-year product sales growth) of communications network monitoring systems, cyber security systems and growth in new service offerings, including those from recently acquired businesses.

Geographically, the Communications Business sales for products and services increased significantly in North America and Latin America during 2013 as compared to 2012, which was offset somewhat by declines in Europe and Asia.



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Backlog at December 31, 2013 was \$357,334,000, a decrease of \$41,070,000 as compared to the balance at December 31, 2012. However, orders booked during 2013 increased \$103,494,000 compared to 2012 bookings. Order growth rates can vary significantly due to the size and timing of receipt of customer orders.

### Cost of Sales

Cost of products sales increased \$5,366,000, or 2.8%, during 2013 as compared to 2012, due primarily to the increase in demand for communications network monitoring systems. Cost of products sales increased at a lower rate than product sales for the period due to the leveraging of certain fixed costs on higher sales levels.

Cost of services sales increased \$3,499,000, or 7.9%, during 2013 as compared to 2012 consistent with increased demand for the Communications Business service offerings. Cost of services sales increased at a lower rate than services sales for the period due to the leveraging of certain fixed costs on higher sales levels.

### Gross Profit

Gross profit increased \$40,288,000 or 70 basis points as a percent of sales during 2013 as compared to 2012.

Product gross profit as a percent of product sales increased 60 basis points during 2013 as compared to 2012 primarily as a result of strong demand in North America for communications network management products and resulting fixed cost leverage, offset slightly by the dilutive impact of product sales from recently acquired businesses.

Service gross profit as a percent of service sales increased 60 basis points during 2013 as compared to 2012 primarily as result of strong demand for the Communications Business service offerings as discussed above.

### Operating Costs and Other Expenses

Selling, general and administrative expenses increased \$31,493,000, or 200 basis points as a percent of sales, during 2013 as compared to 2012, due to sales and marketing growth investments to expand the reach of the Communications Business direct sales force in developed and emerging markets and the acquisition of VSS Monitoring, Inc. ( VSS ), which contributed 100 basis points to selling, general and administrative expenses as a percent of sales during 2013 as compared to 2012.

Research and development expenses increased \$16,681,000, or 100 basis points as a percent of sales, during 2013 as compared to 2012. This increase was due primarily to investments in new product development, including the next-generation telecommunications monitoring platform that management anticipates will support the customer technology migration described above and expansion of the Communications Business cyber security offering into APT as well as continued product development for recently acquired businesses.

Amortization of intangibles increased \$2,334,000 during 2013 as compared to 2012 primarily due to the amortization of intangible assets from the acquisition of VSS in the second quarter 2012 and to a lesser extent from business acquisitions in 2013.

The Communications Business recorded an impairment charge of \$31,063,000 in 2013 to reduce certain customer relationship assets associated with an acquisition to their fair value. These customer relationship assets were deemed to be impaired because, as of December 31, 2013, orders and financial results of the business had not materialized according to the original expectations of the Communications Business as of the date of acquisition. For additional information regarding the impairment charge see Note 6 to the Combined Financial Statements for the year ended

December 31, 2013.

**Table of Contents****Earnings Before Income Taxes**

The Communications Business earnings before income taxes declined \$41,283,000 during 2013 as compared to 2012, and as a percent of sales, declined from 20.1% of sales in 2012 to 14.0% of sales in 2013. The reduction in earnings before income taxes as a percent of sales is due to the following factors:

The dilutive impact of recent acquisitions negatively impacted earnings before income taxes by 220 basis points.

Intangible asset impairment negatively impacted earnings before income taxes by 370 basis points.

The year-over-year increase in sales, and incremental year-over-year cost savings associated with the restructuring actions and continuing productivity improvement initiatives taken in 2013 and 2012, offset by incremental year-over-year costs associated with new product development, sales and marketing growth investments negatively impacted earnings before income taxes as a percent of sales by 20 basis points.

**Comparison of Results of Operations for the Years Ended December 31, 2012 and December 31, 2011**

(\$ in thousands)	Year Ended December 31	
	2012	2011
<b>Sales:</b>		
Products	\$ 594,770	\$ 483,782
Services	190,968	185,497
Total sales	785,738	669,279
<b>Cost of sales:</b>		
Products	(189,711)	(168,349)
Services	(44,544)	(44,543)
Total cost of sales	(234,255)	(212,892)
<b>Gross profit:</b>		
Products	405,059	315,433
Services	146,424	140,954
Total gross profit	551,483	456,387
<b>Operating costs and other</b>		
Selling, general and administrative expenses	(245,403)	(217,196)
Research and development expenses	(130,872)	(111,898)
Amortization of intangible assets	(17,327)	(15,624)
Impairment of intangible assets		(4,947)
Earnings before income taxes	157,881	106,722

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Income Taxes	(54,083)	(32,351)
Net Earnings	\$ 103,798	\$ 74,371
Product gross profit as a % of product sales	68.1%	65.2%
Service gross profit as a % of service sales	76.7%	76.0%
Total gross profit as a % of sales	70.2%	68.2%
Selling, general and administrative expenses as a % of sales	31.2%	32.5%
Research and development expenses as a % of sales	16.7%	16.7%
Earnings before income taxes as a % of sales	20.1%	15.9%

Sales and Backlog

The Communications Business total sales increased \$116,459,000, or 17.4%, during 2012 as compared to 2011. Price increases contributed approximately 1.0% to sales growth during 2012 as compared to 2011.

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Product sales increased \$110,988,000, or 22.9%, during 2012 as compared to 2011 due to robust demand for the Communications Business telecommunications network monitoring systems, primarily in North America, as well as increased demand for cyber security systems. The acquisition of VSS during the second quarter of 2012 also contributed \$29,143,000 to product sales.

Sales of the Communications Business services increased by \$5,471,000, or 2.9%, in 2012 as compared to 2011. This sales growth was primarily a result of continued demand for maintenance and service for the Communications Business growing installed base of communications network monitoring systems, cyber security systems and growth in new service offerings, including from the acquisition of VSS which contributed \$1,020,000 to service sales in 2012.

Geographically, the Communications Business sales for products and services increased significantly in North America, Europe and Asia during 2012 as compared to 2011. Growth was moderate in Latin America during 2012 as compared to 2011.

Backlog at December 31, 2012 was approximately \$398,404,000, a decrease of \$95,411,000 as compared to the balance at December 31, 2011. Orders booked during 2012 decreased \$66,034,000 as compared to 2011. This decrease is due primarily to the timing of orders received from large telecommunications network providers in 2011.

## Cost of Sales

Cost of products sales increased \$21,362,000, or 12.7%, during 2012 as compared to 2011, due primarily to the increase in sales volume as a result of higher demand for communications network monitoring systems. Cost of products sales increased at a lower rate than product sales for the period due to the leveraging of certain fixed costs on higher sales levels.

Cost of services sales were flat during 2012 as compared to 2011. Cost of services sales did not increase at the same rate as services sales for the period due to the leveraging of certain fixed costs on higher sales levels.

## Gross Profit

Gross profit increased \$95,096,000 or 200 basis points as a percent of sales in 2012 as compared to 2011.

Product gross profit as a percent of product sales increased 290 basis points during 2012 as compared to 2011 as a result of increased leverage due to strong demand for communications network management products in North America and the impact of acquisitions in 2012, which had higher overall gross profit margins than the existing businesses.

Service gross profit as a percent of service sales increased 70 basis points during 2012 as compared to 2011 primarily as result of increased leverage due to strong demand for the Communications Business service offerings as discussed above.

## Operating Costs and Other Expenses

Selling, general and administrative expenses increased \$28,207,000 during 2012 as compared to 2011, due to sales and marketing growth investments to expand the reach of the Communications Business direct sales force in developed and emerging markets and the acquisition of VSS, which added approximately \$14,022,000 to selling, general and administrative expenses during 2012. Selling, general and administrative expenses decreased 130 basis points as a percent of sales during 2012 as compared to 2011 due to improved leverage of expenses over a growing

sales base.

Research and development expenses increased \$18,974,000 during 2012 as compared to 2011. This increase was due primarily to investments in new product development, and the acquisition of VSS, which added approximately \$6,451,000 to research and development expenses during 2012. Research and development expenses were essentially flat as a percent of sales during 2012 as compared to 2011.

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Amortization of intangibles increased \$1,703,000 during 2012 as compared to 2011 primarily due to the amortization of intangible assets from the acquisition of VSS in the second quarter 2012.

The Communications Business recorded an impairment charge of \$4,947,000 in 2011 to reduce the value of certain customer relationship and technology assets arising from a prior business acquisition to their estimated fair value. These intangible assets were deemed to be impaired because as of December 31, 2011, financial results of the acquired business to which these assets relate had lagged behind the original expectations of the Communications Business as of the date of acquisition. For additional information regarding the impairment charge see Note 6 to the Combined Financial Statements for the year ended December 31, 2013.

## Earnings Before Income Taxes

The Communications Business earnings before income taxes increased \$51,159,000 during 2012 as compared to 2011, and as a percent of sales increased from 15.9% of sales in 2011 to 20.1% of sales in 2012. The increase in earnings before income taxes as a percent of sales is due to the following factors:

The year-over-year increase in sales and incremental year-over-year cost savings associated with the restructuring actions and continuing productivity improvement initiatives taken in 2012 and 2011, partially offset by incremental year-over-year costs associated with new product development and sales and marketing growth investments positively impacted earnings before income taxes as a percent of sales by 340 basis points.

The impact of recent acquisitions positively impacted earnings before income taxes by 10 basis points.

The intangible asset impairment recorded in 2011 positively impacted earnings before income taxes by 70 basis points.

## **INCOME TAXES**

### General

The Communications Business domestic and international earnings are included in tax returns filed by Danaher. The Communications Business accounts for income taxes under the separate returns method. Under this approach, income tax expense and deferred tax assets and liabilities are determined as if the Communication Business were filing separate returns. The Communications Business records the tax effect of discrete items in the period in which they occur.

The Communications Business effective tax rate can be affected by changes in the mix of earnings in countries with differing statutory tax rates (including as a result of business acquisitions and dispositions), changes in the valuation of deferred tax assets and liabilities, accruals related to contingent tax liabilities and period-to-period changes in such accruals, the results of audits and examinations of previously filed tax returns (as discussed below), the expiration of statutes of limitations, the implementation of tax planning strategies, tax rulings, court decisions, settlements with tax authorities and changes in tax laws.

As part of Danaher, the amount of income taxes the Communications Business pays is subject to ongoing audits by federal, state and foreign tax authorities, which often result in proposed assessments. Management performs a comprehensive review of its global tax positions on a quarterly basis. Based on these reviews, the results of discussions and resolutions of matters with certain tax authorities, tax rulings and court decisions, and the expiration of statutes of limitations, reserves for contingent tax liabilities are accrued or adjusted as necessary.

*Comparison of the Nine Months Ended September 26, 2014 and September 27, 2013*

The Communications Business effective tax rate for the nine months ended September 26, 2014 and September 27, 2013, was 31.2% and 28.7%, respectively. The effective tax rate for 2014 and 2013 is lower than the U.S. federal statutory rate of 35% due principally to tax benefits of the Domestic Production Activities



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Deduction, partially offset by state income taxes. In addition, the effective tax rate in 2013 is also lower due to the research and experimentation credit, which includes the benefit from the retroactive reinstatement of the credit for the year-ended December 31, 2012 by the American Tax Relief Act of 2012.

**Comparison of the Years Ended December 31, 2013 and December 31, 2012**

The Communications Business' effective tax rate for 2013 and 2012, was 28.1% and 34.3%, respectively. The Communications Business' effective tax rate for each of 2013 and 2012 is lower than the U.S. federal statutory rate of 35% due principally to tax benefits of the Domestic Production Activities Deduction and the lapse of certain statutes of limitation with respect to uncertain tax positions, partially offset by state income taxes. For the year ended December 31, 2013, the effective tax rate is also lower due to the research and experimentation credit, which includes the 2013 benefit from the retroactive reinstatement of the credit for the year ended December 31, 2012 by the American Tax Relief Act of 2012.

**Comparison of the Years Ended December 31, 2012 and December 31, 2011**

The Communications Business' effective tax rate for 2012 and 2011, was 34.3% and 30.3%, respectively. The Communications Business' effective tax rate for each of 2012 and 2011 is lower than the U.S. federal statutory rate of 35% due principally to tax benefits of the Domestic Production Activities Deduction and the lapse of certain statutes of limitation with respect to uncertain tax positions, partially offset by state income taxes. For the year ended December 31, 2011 the effective tax rate is also lower due to the research and experimentation credit which was effective for 2011 but lapsed in 2012. This credit was reinstated in 2013 by the American Tax Relief Act of 2012.

**INFLATION**

The effect of inflation on the Communications Business' revenues and net earnings was not significant in the years ended December 31, 2013, 2012 or 2011 nor in the nine months ended September 26, 2014 and September 27, 2013.

**RISK MANAGEMENT**

The Communications Business is exposed to market risk from changes in foreign currency exchange rates, credit risk, and commodity prices, each of which could impact its financial statements. The Communications Business generally addresses its exposure to these risks through its normal operating and financing activities.

**Currency Exchange Rate Risk**

The Communications Business faces transactional exchange rate risk from transactions with customers in countries outside the United States and from intercompany transactions between affiliates. Transactional exchange rate risk arises from the purchase and sale of goods and services in currencies other than the Communications Business functional currency or the functional currency of an applicable subsidiary. The Communications Business also faces translational exchange rate risk related to the translation of financial statements of foreign operations into U.S. dollars, the Communications Business' functional currency. Costs incurred and sales recorded by subsidiaries operating outside of the United States are translated into U.S. dollars using exchange rates effective during the respective period. As a result, the Communications Business is exposed to movements in the exchange rates of various currencies against the U.S. dollar, particularly the Euro. Therefore, when the Euro strengthens or weakens against the U.S. dollar, operating profits are increased or decreased, respectively. The effect of a change in currency exchange rates on the Communications Business' net investment in international subsidiaries is reflected in the accumulated other comprehensive income (loss) component of Parent's equity. A 10% depreciation in the Euro to the U.S. dollar at

September 26, 2014 would have resulted in a reduction of parent's equity of approximately \$5,600,000.

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The impact of currency exchange rates on reported sales during the nine months ended September 26, 2014 and the years ended December 31, 2013, 2012 and 2011 was negligible.

If the exchange rates in effect as of September 26, 2014 were to prevail throughout 2014, currency exchange rates would have a negligible impact on full-year 2014 estimated sales relative to the Communications Business performance in 2013. Any weakening of the U.S. dollar against other major currencies, particularly the Euro, would further positively impact the Communications Business sales and results of operations. Any strengthening of the U.S. dollar against other major currencies, particularly the Euro, would adversely impact the Communications Business sales and results of operations on an overall basis.

As part of Danaher, the Communications Business has generally accepted the exposure to exchange rate movements without using derivative financial instruments to manage this risk. Both positive and negative movements in currency exchange rates against the U.S. dollar will therefore continue to affect the reported amount of sales, profit, and assets and liabilities in the Communications Business financial statements.

### **Credit Risk**

The Communications Business is exposed to potential credit losses in the event of nonperformance by counterparties to its financial instruments. Financial instruments that potentially subject the Communications Business to credit risk consist of receivables from customers.

Sales to the Communications Business largest two customers were 31% of total sales during the nine months ended September 26, 2014, 38% of total sales during the nine months ended September 27, 2013, 36% of total sales in 2013, 33% of total sales in 2012, and 33% in of total sales in 2011. No other individual customer accounted for more than 10% of combined sales during these periods. Accounts receivable from these customers was 18% of total receivables as of September 26, 2014, 11% as of December 31, 2013, and 9% at December 31, 2012.

The Communications Business management performs credit evaluations of their customers financial conditions as appropriate and also obtain collateral or other security when appropriate.

## **LIQUIDITY AND CAPITAL RESOURCES**

As part of Danaher, the Communications Business is dependent upon Danaher for all of its working capital and financing requirements as Danaher uses a centralized approach to cash management and financing of its operations. Financial transactions relating to the Communications Business are accounted for through the Parent investment account of the Communications Business. Accordingly, none of Danaher's cash, cash equivalents or debt at the corporate level has been assigned to the Communications Business in the financial statements. During the years ended December 31, 2013 and 2011, the nine months ended September 26, 2014 and September 27, 2013, the Communications Business generated sufficient cash from operating activities to fund its capital spending and acquisitions. During the year ended December 31, 2012, Danaher provided funding to the Communications Business to support the Communications Business investing activities.

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The following is an overview of the Communications Business cash flows and liquidity:

**Overview of Cash Flows and Liquidity**

(\$ in thousands)	Nine Months Ended		Years Ended December 31		
	September 26, 2014	September 27, 2013	2013	2012	2011
Total operating cash flows	\$ 61,645	\$ 81,950	\$ 102,962	\$ 172,132	\$ 136,962
Cash paid for acquisitions	\$	\$ (12,500)	\$ (74,719)	\$ (189,138)	\$
Payments for additions to property, plant and equipment	(12,060)	(10,160)	(13,438)	(12,487)	(11,222)
Net cash (used in) investing activities	\$ (12,060)	\$ (22,660)	\$ (88,157)	\$ (201,625)	\$ (11,222)
Net transfers from (to) parent	\$ (47,085)	\$ (59,290)	\$ (14,805)	\$ 29,493	\$ (100,740)
Payments relating to earn-out liability	(2,500)				(25,000)
Net cash (used in) provided by financing activities	\$ (49,585)	\$ (59,290)	\$ (14,805)	\$ 29,493	\$ (125,740)

Operating cash flows decreased \$20,305,000 during the nine months ended September 26, 2014 as compared to the comparable period in 2013, principally due to lower net earnings partially offset by higher levels of customer deposits on future product and service deliveries. Cash used in investing activities decreased \$10,600,000 during the nine months ended September 26, 2014 as compared to the comparable period in 2013, as there were no acquisitions of businesses in the nine months ended September 26, 2014. Cash used in financing activities decreased \$9,705,000 during the nine months ended September 26, 2014 as compared to the comparable period in 2013, as the Communications Business transferred less cash to Danaher as a result of the decrease in operating cash flows and the payment in the nine months ended September 26, 2014 of an earn-out liability related to a recent acquisition.

Operating cash flows decreased \$69,170,000 during 2013 as compared to 2012 principally due to lower net earnings and the timing of customer deposits received in 2012. Cash used in investing activities decreased \$113,468,000 during 2013 as compared to 2012, as cash paid for acquisitions decreased by \$114,419,000. Cash used in financing activities increased \$44,298,000 during 2013 as compared to 2012, as Danaher had funded a portion of the Communications Business investing activities in 2012.

Operating cash flows increased \$35,170,000 during 2012 as compared to 2011 principally due to higher net earnings and the timing of customer deposits received in 2012. Cash used in investing activities increased \$190,403,000 during 2012 as compared to 2011, as cash paid for acquisitions increased by \$189,138,000 in connection with the acquisition of VSS. Cash provided by financing activities increased \$155,233,000 during 2012 as compared to 2011, as Danaher had funded a portion of the Communications Business investing activities in 2012 and the payment in 2011 of an earn-out liability related to an acquisition.

**Table of Contents****Contractual Obligations**

The following table sets forth, by period due or year of expected expiration, as applicable, a summary of the Communications Business contractual obligations as of December 31, 2013 under (1) leases, (2) purchase obligations and (3) other long-term liabilities reflected on the Communications Business balance sheet under GAAP. The amounts presented in the table below do not reflect \$5,952,000 of gross unrecognized tax benefits, the timing of which is uncertain. Refer to Note 12 to the Combined Financial Statements for the year ended December 31, 2013 for additional information on unrecognized tax benefits.

(\$ in thousands)	<b>Total</b>	<b>Less Than One Year</b>	<b>1-3 Years</b>	<b>3-5 Years</b>	<b>More Than 5 Years</b>
Operating Lease Obligations <sup>(a)</sup>	\$ 29,458	\$ 6,696	\$ 12,967	\$ 7,492	\$ 2,303
<b>Other:</b>					
Purchase Obligations <sup>(b)</sup>	23,921	23,921			
Other Long-Term Liabilities Reflected on the Communications Business Balance Sheet Under GAAP <sup>(c)</sup>	102,242	222	95,168		6,852
<b>Total</b>	<b>\$ 155,621</b>	<b>\$ 30,839</b>	<b>\$ 108,135</b>	<b>\$ 7,492</b>	<b>\$ 9,155</b>

- (a) As described in Note 10 to the Combined Financial Statements for the year ended December 31, 2013, certain leases require the Communications Business to pay real estate taxes, insurance, maintenance and other operating expenses associated with the leased premises. These future costs are not included in the schedule above.
- (b) Consist of agreements to purchase goods or services that are enforceable and legally binding on the Communications Business and that specify all significant terms, including fixed or minimum quantities to be purchased, fixed, minimum or variable price provisions and the approximate timing of the transaction.
- (c) Primarily consist of obligations for earn-out and indemnification obligations, self-insurance and litigation claims, pension obligations, deferred tax liabilities (excluding unrecognized tax benefits) and deferred compensation obligations. The timing of cash flows associated with these obligations is based upon management's estimates over the terms of these arrangements and is largely based upon historical experience.

**Off-Balance Sheet Arrangements**

In the normal course of business, the Communications Business periodically enters into agreements that require it to indemnify customers, suppliers or other business partners for specific risks, such as claims for injury or property damage arising out of the Communications Business products or services or claims alleging that Communications Business products, services or software infringe third party intellectual property. Historically, the Communications Business has not experienced significant losses on these types of indemnification obligations.

**Legal Proceedings**

Please refer to Note 11 to the Combined Financial Statements for the year ended December 31, 2013 for information regarding certain litigation matters.

In addition to the litigation matters noted under Information on the Communications Business the Communications Business is, from time to time, subject to a variety of litigation and other proceedings incidental to its business, including lawsuits involving claims for damages arising out of the use of the Communications Business products, software and services, claims relating to intellectual property matters, employment matters, commercial disputes, and personal injury as well as regulatory investigations or enforcement. The Communications Business may also become subject to lawsuits as a result of past or future acquisitions or as

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a result of liabilities retained from, or representations, warranties or indemnities provided in connection with divested businesses. Some of these lawsuits may include claims for punitive and consequential as well as compensatory damages. Based upon the Communications Business' experience, current information and applicable law, it does not believe that these proceedings and claims will have a material adverse effect on its financial position, results of operations or cash flows.

While Danaher maintains workers compensation, property, cargo, automobile, crime, fiduciary, product, general liability, and directors' and officers' liability insurance on behalf of the Communications Business that cover a portion of these claims, this insurance may be insufficient or unavailable to cover such losses. In addition, while the Communications Business believes it is entitled to indemnification from third parties for some of these claims, these rights may also be insufficient or unavailable to cover such losses. Danaher maintains third party insurance policies on behalf of the Communications Business up to certain limits to cover certain liability costs in excess of predetermined retained amounts. For general liability risk (which includes product liability) and most other insured risks, Danaher purchases outside insurance coverage only for severe losses (stop loss insurance) and reserves must be established and maintained with respect to amounts within the self-insured retention.

In accordance with accounting guidance, the Communications Business records a liability in the combined financial statements for loss contingencies when a loss is known or considered probable and the amount can be reasonably estimated. If the reasonable estimate of a known or probable loss is a range, and no amount within the range is a better estimate than any other, the minimum amount of the range is accrued. If a loss does not meet the known or probable level but is reasonably possible and a loss or range of loss can be reasonably estimated, the estimated loss or range of loss is disclosed. These reserves consist of specific reserves for individual claims and additional amounts for anticipated developments of these claims as well as for incurred but not yet reported claims. The specific reserves for individual known claims are quantified with the assistance of legal counsel and outside risk insurance professionals where appropriate. In addition, outside risk insurance professionals assist in the determination of reserves for incurred but not yet reported claims through evaluation of the Communications Business' specific loss history, actual claims reported, and industry trends among statistical and other factors. Reserve estimates are adjusted as additional information regarding a claim becomes known. While the Communications Business actively pursues financial recoveries from insurance providers, it does not recognize any recoveries until realized or until such time as a sustained pattern of collections is established related to historical matters of a similar nature and magnitude. If the risk insurance reserves established with respect to the Communications Business are inadequate, the Communications Business would be required to incur an expense equal to the amount of the loss incurred in excess of the reserves, which would adversely affect the Communications Business' net earnings.

In addition, the Communications Business' operations are subject to environmental laws and regulations in the jurisdictions in which they operate, which impose limitations on the discharge of pollutants into the ground, air and water and establish standards for the use, generation, treatment, storage and disposal of hazardous and non-hazardous wastes. Certain of the Communications Business' operations involve the handling, manufacturing, use or sale of substances that are or could be classified as hazardous materials within the meaning of applicable laws. The Communications Business must also comply with various health and safety regulations in both the United States and abroad in connection with its operations. Compliance with these laws and regulations has not had and, based on current information and the applicable laws and regulations currently in effect, is not expected to have a material adverse effect on the Communications Business' capital expenditures, earnings or competitive position, and the Communications Business does not anticipate material capital expenditures for environmental control facilities.

For a discussion of additional risks related to legal proceedings, please refer to Item 1A. Risk Factors.





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**Table of Contents****CRITICAL ACCOUNTING ESTIMATES**

Management's discussion and analysis of the Communications Business' financial condition and results of operations is based upon the Communications Business' Combined Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States for the preparation of carved-out, combined financial statements. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. The Communications Business bases these estimates and judgments on historical experience, the current economic environment and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ materially from these estimates and judgments.

The Communications Business believes the following accounting estimates are most critical to an understanding of its financial statements. Estimates are considered to be critical if they meet both of the following criteria: (1) the estimate requires assumptions about material matters that are uncertain at the time the estimate is made, and (2) material changes in the estimate are reasonably likely from period to period. For a detailed discussion on the application of these and other accounting estimates, refer to Note 2 in the Communications Business' Combined Financial Statements for the year ended December 31, 2013.

**Accounts Receivable** The Communications Business maintains allowances for doubtful accounts to reflect probable credit losses inherent in its portfolio of receivables. Determination of the allowances requires management to exercise judgment about the timing, frequency and severity of credit losses that could materially affect the allowances for doubtful accounts and, therefore, net income. The allowances for doubtful accounts represent management's best estimate of the credit losses expected from the Communications Business' trade accounts, contract and finance receivable portfolios. The level of the allowances is based on many quantitative and qualitative factors including historical loss experience by receivable type, portfolio duration, delinquency trends, economic conditions and credit risk quality. The Communications Business regularly performs detailed reviews of its accounts receivable portfolio to determine if an impairment has occurred and to assess the adequacy of the allowances. If the financial condition of the Communications Business' customers were to deteriorate with a severity, frequency and/or timing different from the Communications Business' assumptions, additional allowances would be required and the Communications Business financial statements would be adversely impacted.

**Inventories** The Communications Business records inventory at the lower of cost or market value. The Communications Business estimates the market value of its inventory based on assumptions of future demand and related pricing. Estimating the market value of inventory is inherently uncertain because levels of demand, technological advances and pricing competition in many of the Communications Business' markets can fluctuate significantly from period to period due to circumstances beyond the Communications Business' control. If actual market conditions are less favorable than those projected by management, the Communications Business could be required to reduce the value of its inventory, which would adversely impact the Communications Business' financial statements.

**Acquired Intangibles** The Communications Business' acquisitions typically result in the recognition of goodwill, in-process research and development and other intangible assets, which affect the amount of future period amortization expense and possible impairment charges that the Communications Business may incur. Refer to Notes 2, 3 and 6 in the Communications Business' Combined Financial Statements for the year ended December 31, 2013 for a description of the Communications Business' policies relating to goodwill, acquired intangibles and acquisitions.

In performing its goodwill impairment testing, the Communications Business estimates the fair value of its reporting units primarily using a market based approach. The Communications Business estimates fair value based on

appropriate multiples of sales or earnings before interest, taxes, depreciation and amortization ( EBITDA ) determined by current trading market multiples of earnings and/or sales for companies operating in

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businesses similar to each of the Communications Business reporting units, in addition to recent market available sale transactions of comparable businesses. In evaluating the estimates derived by the market based approach, management makes judgments about the relevance and reliability of the multiples by considering factors unique to its reporting units, including operating results, business plans, economic projections, anticipated future cash flows, and transactions and marketplace data as well as judgments about the comparability of the market proxies selected. In certain circumstances the Communications Business also estimates fair value utilizing a discounted cash flow analysis (i.e., an income approach) in order to validate the results of the market approach. The discounted cash flow model requires judgmental assumptions about projected revenue growth, future operating margins, discount rates and terminal values. There are inherent uncertainties related to these assumptions and management's judgment in applying them to the analysis of goodwill impairment.

As of December 31, 2013, the Communications Business had four reporting units for goodwill impairment testing. Reporting units resulting from recent acquisitions generally present the highest risk of impairment. Management believes the impairment risk associated with these reporting units decreases as these businesses are integrated into the Communications Business and better positioned for potential future earnings growth. The carrying value of the goodwill included in each individual reporting unit ranges from \$59,330,000 to \$422,475,000. The Communications Business annual goodwill impairment analysis in 2013 indicated that in all instances, the fair values of the Communications Business reporting units exceeded their carrying values and consequently did not result in an impairment charge.

The Communications Business reviews identified intangible assets for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. The Communications Business also tests intangible assets with indefinite lives at least annually for impairment. Determining whether an impairment loss occurred requires a comparison of the carrying amount to the sum of undiscounted cash flows expected to be generated by the asset. These analyses require management to make judgments and estimates about future revenues, expenses, market conditions and discount rates related to these assets.

As a result of these impairment analyses, the Communications Business recorded impairment charges of \$31,063,000 in 2013 and \$4,947,000 in 2011 related to the value of customer relationship and technology intangible assets. There were no impairments recorded in 2012. The 2013 impairment charge was recorded to reduce the value of certain customer relationship assets to their estimated fair value. These customer relationship assets were deemed to be impaired because as of December 31, 2013, orders and financial results of the acquired business to which these assets relate had not materialized according to the original expectations of the Communications Business as of the date of acquisition. The 2011 impairment charge was recorded to reduce the value of certain customer relationship and technology assets to their estimated fair value. These intangible assets were deemed to be impaired because as of December 31, 2011, financial results of the acquired business to which these assets relate had lagged behind the original expectations of the Communications Business as of the date of acquisition.

If actual results are not consistent with management's estimates and assumptions, goodwill and other intangible assets may be overstated and a charge would need to be taken against net earnings which would adversely affect the Communications Business financial statements.

**Contingent Liabilities** As discussed above under Liquidity and Capital Resources - Legal Proceedings, the Communications Business is, from time to time, subject to a variety of litigation and similar contingent liabilities incidental to its business (or the business operations of previously owned entities). The Communications Business recognizes a liability for any contingency that is known or probable of occurrence and reasonably estimable. These assessments require judgments concerning matters such as litigation developments and outcomes, the anticipated outcome of negotiations, the number of future claims and the cost of both pending and future claims. In addition,

because most contingencies are resolved over long periods of time, liabilities may change in the future due to various factors, including those discussed above under Liquidity and Capital Resources Legal Proceedings . If the reserves established by the Communications Business with respect to

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these contingent liabilities are inadequate, the Communications Business would be required to incur an expense equal to the amount of the loss incurred in excess of the reserves, which would adversely affect the Communications Business financial statements.

In connection with acquisitions, the Communications Business may enter into post-closing financial arrangements such as purchase price adjustments, earn-out obligations and indemnification obligations. These obligations are recorded at their fair value at the time of acquisition and require management to make judgments and estimates about the ultimate settlement amount. While the Communications Business believes it has made reasonable estimates and assumptions to calculate the fair value of these obligations, if actual results are not consistent with management's estimates and assumptions, these obligations may be understated and a charge would need to be taken against net earnings.

Revenue Recognition The Communications Business derives revenues from the sale of products and services. Refer to Note 2 to the Communications Business Combined Financial Statements for the year ended December 31, 2013 for a description of the Communications Business revenue recognition policies.

Certain commercial agreements contain multiple elements or non-standard terms and conditions. As a result, judgment is sometimes required to determine the appropriate accounting, including whether the deliverables specified in these agreements should be treated as separate units of accounting for revenue recognition purposes, and, if so, how the consideration should be allocated among the elements and when to recognize revenue for each element.

The Communications Business allocates revenue to each element in the contractual arrangement based on a selling price hierarchy that, in some instances, may require the Communications Business to estimate the selling price of certain deliverables that are not sold separately or where third party evidence of pricing is not observable. When it is required to estimate selling prices, the Communications Business considers relevant internal and external market and entity-specific factors including the relative technological advancement of the product offering, the historical pricing practices and profit objectives and the geographic region and nature of the customer. The Communications Business monitors, on at least an annual basis, its selling price estimates to ensure they are within a sufficiently narrow range within the geographies and customer classes served. Estimates of selling prices impact the amount and timing of revenue recognized in multiple element arrangements. If the Communications Business judgments regarding revenue recognition prove incorrect, the Communications Business revenues in particular periods may be adversely affected.

Corporate Allocations The Communications Business has historically operated as part of Danaher and not as a stand-alone company. Accordingly, certain shared costs have been allocated to the Communications Business and are reflected as expenses in the accompanying financial statements. Management considers the allocation methodologies used to be reasonable and appropriate reflections of the related expenses attributable to the Communications Business for purposes of the carve-out financial statements; however, the expenses reflected in these financial statements may not be indicative of the actual expenses that would have been incurred during the periods presented if the Business had operated as a separate stand-alone entity. In addition, the expenses reflected in the financial statements may not be indicative of expenses that will be incurred in the future by the Communications Business.

Stock-Based Compensation For a description of the Communications Business stock-based compensation accounting practices, refer to Note 13 to the Communications Business Combined Financial Statements for the year ended December 31, 2013. Determining the appropriate fair value model and calculating the fair value of stock-based payment awards require subjective assumptions, including the expected life of the awards, stock price volatility and expected forfeiture rate. The assumptions used in calculating the fair value of stock-based payment awards represent the Communications Business best estimates, but these estimates involve inherent uncertainties and the application of management judgment. If actual results are not consistent with management's assumptions and estimates, the

Communications Business equity-based compensation expense could be materially different in the future.

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**Pension** For a description of the Communications Business pension benefit accounting practices, refer to Note 9 in the Communications Business Combined Financial Statements for the year ended December 31, 2013. Calculations of the amount of pension costs and obligations depend on the assumptions used in the actuarial valuations, including assumptions regarding discount rates, expected return on plan assets, rates of salary increases, mortality rates, and other factors. If the assumptions used in calculating pension costs and obligations are incorrect or if the factors underlying the assumptions change (as a result of differences in actual experience, changes in key economic indicators or other factors) the Communications Business financial statements could be materially affected.

The Communications Business pension plan assets consist of various insurance contracts, equity and debt securities as determined by the administrator of each plan. The estimated long-term rate of return for the plans was determined on a plan by plan basis based on the nature of the plan assets and ranged from 4% to 6%. If the expected long-term rate of return on plan assets for 2013 was reduced by 50 basis points, pension expense for the plans for 2013 would have increased \$6,500 (\$4,600 on an after-tax basis).

During 2014, the Communications Business cash contribution requirements for its defined benefit pension plans are expected to be approximately \$93,000. The ultimate amounts to be contributed depend upon, among other things, legal requirements, underlying asset returns, the plan's funded status, the anticipated tax deductibility of the contribution, local practices, market conditions, interest rates and other factors.

**Income Taxes** For a description of the Communications Business income tax accounting policies, refer to Notes 2 and 12 of the Communications Business Combined Financial Statements for the year ended December 31, 2013. The Communications Business establishes valuation allowances for its deferred tax assets if it is more likely than not that some or all of the deferred tax asset will not be realized which requires management to make judgments and estimates regarding: (1) the timing and amount of the reversal of taxable temporary differences, (2) expected future taxable income, and (3) the impact of tax planning strategies. Future changes to tax rates would also impact the amounts of deferred tax assets and liabilities and could have an adverse impact on the Communications Business financial statements.

The Communications Business provides for unrecognized tax benefits when, based upon the technical merits, it is more-likely-than-not that an uncertain tax position will not be sustained upon examination. Judgment is required in evaluating tax positions and determining income tax provisions. The Communications Business re-evaluates the technical merits of its tax positions and may recognize an uncertain tax benefit in certain circumstances, including when: (i) a tax audit is completed; (ii) applicable tax laws change, including a tax case ruling or legislative guidance; or (iii) the applicable statute of limitations expires.

An increase in the nominal tax rate of 1% would have resulted in an additional income tax provision for continuing operations for the fiscal year ended December 31, 2013 of \$1,166,000.

**NEW ACCOUNTING STANDARDS**

In May 2014, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update ( ASU ) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which impacts virtually all aspects of an entity's revenue recognition. The core principle of the new standard is that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard is effective for annual reporting periods beginning after December 15, 2016. Management has not yet completed its assessment of the impact of the new standard, including possible transition alternatives, on the Communications Business financial statements.





**Table of Contents****THE TRANSACTIONS****Overview**

On October 12, 2014, NetScout and Danaher agreed to enter into the Transactions to effect the transfer of the Communications Business to NetScout. These Transactions provide for the separation and distribution of the Communications Business and the subsequent mergers of (a) Merger Sub with and into Newco, with Newco surviving as a wholly-owned subsidiary of NetScout and (b) Newco with and into Merger Sub II, with Merger Sub II surviving as a wholly-owned subsidiary of NetScout. In order to effect the Separation, the Distribution and the Mergers, Danaher, Newco, NetScout, Merger Sub and Merger Sub II entered into the Merger Agreement and Danaher, Newco and NetScout entered into the Distribution Agreement. In addition, Danaher, Newco, NetScout and certain of their respective affiliates have entered into, or will enter into, various ancillary agreements in connection with the Transactions. These agreements, which are described in greater detail in this document, govern the relationship among Danaher, Newco, NetScout and their respective affiliates after the Separation, the Distribution and the Mergers.

The Communications Business consists of the communications group business of Danaher conducted under the brands Tektronix Communications, Fluke Networks and Arbor Networks, and including Newco and its subsidiaries, but excluding Danaher's data communications cable installation business and its communication service provider business. Prior to the consummation of the Distribution and the First Merger, Danaher will convey to Newco or one or more subsidiaries of Newco certain assets and liabilities constituting the Communications Business.

Immediately after the Distribution and on the closing date of the Mergers, Merger Sub will merge with and into Newco, whereby the separate corporate existence of Merger Sub will cease and Newco will continue as the surviving company and as a wholly-owned subsidiary of NetScout. In the First Merger, each Newco common unit will be converted into the right to receive NetScout common stock based on the exchange ratio set forth in the Merger Agreement, as described in the section of this document entitled "The Merger Agreement—Merger Consideration." Afterwards, Newco will merge with and into Merger Sub II, whereby the separate corporate existence of Newco will cease and Merger Sub II will continue as the surviving company and as a wholly-owned subsidiary of NetScout. After the Mergers, NetScout will own and operate the Communications Business through Merger Sub II and will also continue its current businesses. All shares of NetScout common stock, including those issued in the First Merger, will be listed on NASDAQ under NetScout's current trading symbol—NTCT.

In connection with the First Merger, NetScout expects to issue approximately 62.5 million shares of NetScout common stock to Danaher stockholders, assuming no adjustment pursuant to the Merger Agreement. Calculated based on the closing price on NASDAQ of NetScout common stock as of [ ], 2015, the shares of NetScout common stock that NetScout expects to issue to Danaher stockholders as a result of the Transactions would have had a market value of approximately \$[ ] billion in the aggregate (the actual value will not be known until the closing date). See Calculation of Merger Consideration.

**Transaction Timeline**

Below is a step-by-step list illustrating the material events relating to the Separation, the Distribution and the Mergers. Each of these events is discussed in more detail elsewhere in this document.

Step #1 *Internal Restructuring; The Separation.* Prior to the Distribution and the First Merger, Danaher will convey to Newco or one or more subsidiaries of Newco certain assets and liabilities constituting the Communications Business, including certain subsidiaries of Danaher, and will cause any applicable subsidiary of Newco to convey to Danaher or its designated subsidiary (other than Newco or any of Newco's subsidiaries) its specified excluded assets and excluded

liabilities.

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*Step #2 The Distribution Exchange Offer and/or Spin-Off.* On the closing date of the Mergers, Danaher will distribute 100% of the Newco common units to Danaher stockholders either through an exchange offer followed by, in the event the exchange offer is not fully subscribed, a spin-off distribution or in a spin-off distribution not including an exchange offer. Danaher expects for the Distribution to be effected through an exchange offer, but the ultimate structure selected will be based on market conditions. In the exchange offer, Danaher will offer its stockholders the option to exchange all or a portion of their shares of Danaher common stock for Newco common units. In the event the exchange offer is not fully subscribed, Danaher will distribute the remaining Newco common units owned by Danaher on a pro rata basis to Danaher stockholders whose shares of Danaher common stock remain outstanding after consummation of the exchange offer.

*Step #3 The Mergers.* In the First Merger, Merger Sub will be merged with and into Newco, with Newco surviving as a wholly-owned subsidiary of NetScout. Immediately thereafter, in the Second Merger, Newco will be merged with and into Merger Sub II, with Merger Sub II surviving as a wholly-owned subsidiary of NetScout. In the First Merger, each outstanding Newco common unit (except Newco common units held by Danaher, Newco, NetScout or Merger Sub) will be converted into the right to receive a number of shares of NetScout common stock equal to (x) 62.5 million shares of NetScout common stock plus the product of (A) 1.46 multiplied by (B) the number of shares of NetScout common stock issued in any acquisition after the date of the Merger Agreement and prior to the effective time of the First Merger, divided by (y) the aggregate number of Newco common units issued and outstanding as of immediately prior to the effective time of the First Merger.

Set forth below are diagrams that graphically illustrate, in simplified form, the existing corporate structure, the corporate structure immediately following the Separation and Distribution but before the First Merger, the corporate structure immediately following the consummation of the First Merger, and the corporate structure immediately following the consummation of the Second Merger.

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**The Separation and the Distribution**

Prior to the First Merger, pursuant to the terms of the Distribution Agreement, Danaher will convey to Newco or one or more subsidiaries of Newco certain assets and liabilities constituting the Communications Business, and will cause any applicable subsidiary of Newco to convey to Danaher or its designated subsidiary (other than Newco or any of Newco's subsidiaries) certain excluded assets and excluded liabilities, in order to separate and consolidate the Communications Business under Newco. Immediately thereafter, Danaher will contribute all the equity interests in each subsidiary of Newco to Newco in exchange for a number of common units representing limited liability company interests in Newco, referred to herein as the Newco common units.

*The Distribution*

On the closing date of the Mergers, Danaher will distribute 100% of the Newco common units to Danaher stockholders through either an exchange offer followed by, in the event the exchange offer is not fully subscribed, a spin-off distribution or in a spin-off distribution not including an exchange offer. In the case of an exchange offer, Danaher will offer its stockholders the option to exchange all or a portion of their shares of Danaher common stock for Newco common units. In the event the exchange offer is not fully subscribed, Danaher will distribute the remaining Newco common units owned by Danaher on a pro rata basis to Danaher stockholders whose shares of Danaher common stock remain outstanding after consummation of the exchange offer. If the Distribution is structured as a spin-off not including an exchange offer, Danaher will distribute in the spin-off the Newco common units owned by Danaher on a pro rata basis to Danaher stockholders.

An agent appointed by Danaher will hold, for the account of the relevant Danaher stockholders, the global certificate(s) representing all of the outstanding Newco common units pending the consummation of the First Merger. Newco common units will not be traded during this period. Following the consummation of the Distribution and as part of the First Merger, each Newco common unit (except Newco common units held by Danaher, Newco, NetScout or Merger Sub) will be converted into the right to receive fully paid and nonassessable shares of NetScout common stock, as further described below under Calculation of the Merger Consideration.

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**Table of Contents****The Mergers**

Under the Merger Agreement and in accordance with the DGCL and the DLLCA, at the effective time of the First Merger, Merger Sub will merge with and into Newco. As a result of the First Merger, the separate corporate existence of Merger Sub will cease and Newco will continue as the surviving company and as a wholly-owned subsidiary of NetScout and will succeed to and assume all the rights, powers and privileges and be subject to all of the obligations of Merger Sub in accordance with the DGCL and the DLLCA. In the First Merger, each Newco common unit will be converted into the right to receive NetScout common stock based on the exchange ratio set forth in the Merger Agreement, as described in the section of this document entitled "The Merger Agreement - Merger Consideration." The certificate of formation and the limited liability company operating agreement of Newco in effect immediately prior to the First Merger will be amended and restated in their entirety following the consummation of the First Merger. Immediately following the First Merger, Newco will merge with and into Merger Sub II. As a result of the Second Merger, the separate corporate existence of Newco will cease and Merger Sub II will continue as the surviving company and as a wholly-owned subsidiary of NetScout and will succeed to and assume all the rights, powers and privileges and be subject to all of the obligations of Newco in accordance with the DLLCA.

**Calculation of the Merger Consideration**

The Merger Agreement provides that, at the effective time of the First Merger, each issued and outstanding Newco common unit (except Newco common units held by Danaher, Newco, NetScout or Merger Sub) will be automatically converted into a number of shares of NetScout common stock equal to (x) 62.5 million shares of NetScout common stock plus the product of (A) 1.46 multiplied by (B) the number of shares of NetScout common stock issued in any acquisition by NetScout prior to the effective time of the First Merger divided by (y) the aggregate number of Newco common units issued and outstanding immediately prior to the effective time of the First Merger. In addition, Newco will authorize the issuance of a number of Newco common units such that the total number of Newco common units outstanding immediately prior to the First Merger will be that number that results in the exchange ratio in the First Merger equaling one. As a result, each Newco common unit (except Newco common units held by Danaher, Newco, NetScout or Merger Sub) will be converted into one share of NetScout common stock in the First Merger. The calculation of the merger consideration as set forth in the Merger Agreement is expected to result, prior to the elimination of fractional shares, in Newco's members immediately prior to the merger collectively holding approximately 59.5% of the outstanding equity interests of NetScout on a fully-diluted basis immediately following the First Merger and NetScout's stockholders immediately prior to the First Merger collectively holding approximately 40.5% of such equity interests on a fully-diluted basis.

No fractional shares of NetScout common stock will be issued pursuant to the First Merger. Any holder of Newco common units who would otherwise be entitled to receive a fraction of a share of NetScout common stock (after aggregating all fractional shares issuable to such holder) shall, in lieu of such fraction of a share, be paid in cash the dollar amount (rounded to the nearest whole cent), after deducting any required withholding taxes, on a pro rata basis, without interest, determined by multiplying such fraction by the closing price of a share of NetScout common stock on NASDAQ on the last business day prior to the closing of the First Merger.

**Background of the Transactions**

NetScout is a leader in application and network performance management solutions that enable enterprise and service provider organizations to assure the quality of the user experience for business and mobile services. NetScout's technology helps these organizations manage service delivery and identify emerging performance problems, helping to quickly resolve issues that cause business disruptions or negatively affect users of information technology. NetScout's current growth strategy includes, among other elements, continued innovation to enhance and expand its

product portfolio, support pervasive visibility for customers through continued advancement of its Adaptive Session Intelligence software, the expansion of its customer base in the service provider and enterprise markets, and the growth of its sales force.

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Danaher designs, manufactures and markets professional, medical, industrial and commercial products and services, which are typically characterized by strong brand names, innovative technology and major market positions. The Communications Business is run primarily through Danaher's Tektronix Communications, Arbor Networks and Fluke Networks Enterprise businesses. As part of Danaher's strategy, Danaher's board of directors and senior management have reviewed Danaher's portfolio of businesses and assets to determine whether changes might be advisable and to consider possible transactions, including possible disposition and merger opportunities, in order to maximize value for Danaher stockholders.

From time to time over a number of years, Anil K. Singhal, NetScout's Chief Executive Officer, and representatives of Danaher engaged in preliminary, informal conversations regarding potential opportunities involving the two companies. Danaher's management had from time to time informed Danaher's board of directors of these discussions and of the potential opportunities between the two companies.

On July 1, 2014, Mr. Singhal and James A. Lico, Danaher's Executive Vice President, had a telephonic discussion regarding the potential combination of NetScout and the Communications Business.

On July 11, 2014, Mr. Singhal and H. Lawrence Culp, Jr., Danaher's then President and Chief Executive Officer, and Daniel L. Comas, Danaher's Executive Vice President and Chief Financial Officer, met in Washington, D.C. and had a preliminary discussion about the potential combination of NetScout and the Communications Business.

On July 15, 2014, immediately after a regularly scheduled meeting of NetScout's board of directors, Mr. Singhal met with NetScout's Finance Committee, the committee historically used by NetScout's board of directors to evaluate strategic opportunities, and informed the Finance Committee that he had preliminary discussions with Danaher about a possible transaction involving the Communications Business. The Finance Committee requested that Mr. Singhal obtain additional details about the potential transaction and authorized NetScout to begin conducting preliminary due diligence relating to the Communications Business.

On July 15, 2014, Jean Bua, NetScout's Chief Financial Officer, and Mr. Comas, had a telephone call in which they discussed the potential business combination and the possible structure of the transaction.

On July 18, 2014, Mr. Singhal, Ms. Bua, Mr. Culp and Mr. Comas had a telephone call in which they discussed the respective businesses, the structure of a possible transaction and the general timing of a possible transaction.

While Danaher considered alternate structures for a combination of the Communications Business with Netscout (i.e., a carve-out or merger of the business with Netscout in exchange for cash or stock), the tax-related benefits to Danaher and its stockholders of a Reverse Morris Trust structure (as described in more detail in the immediately following paragraph), together with the ability for Danaher shareholders to continue to own shares representing a majority stake in the combined business, led Danaher to limit its proposal to a Reverse Morris Trust structure.

On July 21, 2014, Mr. Singhal met with NetScout's Finance Committee and provided additional details about the proposed transaction, including the possibility that the transactions would be structured as a Reverse Morris Trust. In general, in a Reverse Morris Trust transaction, Danaher could dispose of the Communications Business to NetScout on a tax-free basis to Danaher and its stockholders through a spin-off or split-off distribution of the Communications Business to Danaher's stockholders immediately followed by a merger of a newco entity owning the Communications Business with a subsidiary of NetScout in exchange for equity of NetScout. The Reverse Morris Trust structure was feasible in this case because the value of the Communications Business exceeded the value of NetScout's existing business, and attractive because a taxable disposition of the Communications Business might otherwise have made the transaction financially unattractive to Danaher or have required NetScout to pay additional consideration. In addition,



in a Reverse Morris Trust structure, NetScout

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would primarily be able to issue equity of NetScout as consideration in the transaction, relieving NetScout from incurring significant debt to fund a cash acquisition of this magnitude. Mr. Singhal noted the preliminary structure of the transaction under consideration and informed NetScout's Finance Committee that he expected to determine whether the transaction was feasible or financially possible after an in-person meeting between certain members of the NetScout management team and the management team for Danaher and the Communications Business to be held before the end of the month of July.

Between July 25 and July 29, 2014, representatives of NetScout, NetScout's outside counsel, Cooley LLP ( Cooley ), and Danaher had several telephone calls regarding a proposed confidentiality and non-disclosure agreement between the parties.

On July 29, 2014, NetScout and Danaher executed the confidentiality agreement.

On July 31 and August 1, 2014, members of each of the management teams of Danaher, including Messrs. Lico, Culp and Comas, and NetScout, including Mr. Singhal, Ms. Bua and Mr. Levinson, held in person meetings, at Danaher's headquarters in Washington, D.C. At these meetings, representatives of Danaher reviewed the Communications Business, including its products, views on the industry, infrastructure and operations, potential synergies and a location-by-location overview, together with preliminary financial information. Representatives of NetScout also reviewed NetScout's business, products and views on the industry. In addition, representatives of Danaher referenced an illustrative valuation of the Communications Business of \$3.0 billion for discussion purposes, based on an assumed value of \$44 per share of NetScout common stock. Representatives of NetScout did not comment on the illustrative price at such time and noted that they would revert with a response following further consideration.

On August 12, 2014, NetScout's board of directors met to discuss NetScout's progress on the proposed transaction with senior management, Cooley and NetScout's financial advisor, RBC Capital Markets. Mr. Singhal discussed the strategic rationale for the proposed transaction. During the meeting, NetScout's board of directors discussed financial aspects of the proposed transaction with RBC Capital Markets. Following the discussion, NetScout's board of directors authorized management to prepare a non-binding letter of intent and continue discussions with Danaher. On August 15, 2014, NetScout furnished Danaher with a non-binding letter of intent for a possible acquisition by NetScout of the Communications Business through a Reverse Morris Trust structure, which would include the acquisition of the Communications Business through a reverse triangular merger immediately following a spin-off distribution of the Communications Business to Danaher's stockholders, with consideration in the form of shares of NetScout common stock. The non-binding letter of intent contemplated, among other things, a proposed valuation for the Communications Business of \$2.4 billion to \$2.6 billion, based on NetScout's then-closing stock price of approximately \$44 per share.

Between August 15, 2014 and August 22, 2014, Messrs. Singhal, Culp and Comas discussed various terms of the non-binding letter of intent, including the proposed consideration for the Communications Business. On August 20, 2014, Mr. Culp indicated to Mr. Singhal that Danaher would be willing to accept a valuation of \$2.8 billion for the Communications Business, based on an assumed value of \$44 per share of NetScout common stock. On August 21, Mr. Singhal indicated to Mr. Culp that NetScout proposed a valuation of \$2.7 billion for the Communications Business, based on an assumed value of \$44 per share of NetScout common stock. Later on August 21, Mr. Comas indicated to Mr. Singhal that Danaher's proposal remained at a valuation of \$2.8 billion for the Communications Business, based on an assumed value of \$44 per share of NetScout common stock. During such period, Mr. Singhal also conferred with John R. Egan, NetScout's lead independent director, and RBC Capital Markets regarding financial matters pertaining to the Communications Business.

On August 22, 2014, Mr. Comas indicated that Danaher proposed a valuation of \$2.75 billion for the Communications Business, equaling approximately 62.5 million shares of NetScout common stock at an assumed value of \$44 per share of NetScout common stock, which proposal Mr. Singhal indicated he would find acceptable subject to review with the NetScout board of directors. Later on August 22, 2014, NetScout's board of

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directors held a meeting with representatives of NetScout's senior management and legal and financial advisors attending. During the meeting, Mr. Singhal updated NetScout's board of directors on the recent discussions with Danaher regarding the proposed merger consideration, exclusivity periods and other matters. Later in the day, Danaher sent a revised non-binding letter of intent to NetScout, which contemplated an aggregate purchase price of \$2.75 billion based on the issuance of 62.5 million shares of NetScout common stock at an assumed value of \$44 per share, reflecting the proposal communicated by Mr. Comas to Mr. Singhal earlier that day and subsequently discussed with the NetScout board of directors.

On August 23 and August 24, 2014, Mr. Singhal had additional discussion with Danaher representatives regarding the non-binding letter of intent.

On August 24, 2014, Danaher's board of directors received an update regarding the status of the potential transaction with NetScout.

On August 25, 2014, NetScout's board of directors held a meeting, with representatives of NetScout's senior management and legal and financial advisors attending, to discuss and obtain approval to enter into the proposed non-binding letter of intent. During the meeting, RBC Capital Markets discussed the financial terms and certain related aspects of the proposed letter of intent and Cooley discussed fiduciary duty and other legal considerations relating to the proposed transaction and structure. Following the discussion, the NetScout board of directors authorized the non-binding letter of intent. Later in the day, NetScout executed the non-binding letter of intent with Danaher.

On August 26, 2014, NetScout and its legal and financial representatives had a call with Danaher and its legal representatives to discuss the then-current structure of the Communications Business.

Between August 27 and September 1, 2014, representatives of NetScout and representatives of Danaher participated in multiple telephone calls relating to business and legal due diligence matters.

On September 2 and September 3, 2014, representatives of NetScout, including Mr. Singhal, Ms. Bua and Mr. Levinson, and representatives of Danaher, including Mr. Lico, met in Boston to discuss NetScout's overall business and Danaher's Tektronix Communications business.

On September 3, 2014, Ms. Bua and other representatives of NetScout's finance team met separately in Boston with members of the senior finance teams of Danaher and Tektronix Communications to discuss various financial and accounting matters related to the Tektronix Communications business.

On September 4, 2014, Mr. Singhal, Ms. Bua, Mr. Levinson and other representatives of NetScout's finance and technology team met in Boston with members of the senior team from Danaher and Arbor Networks to discuss various business, technology and financial matters related to Danaher's Arbor Networks business.

On September 9, 2014, Danaher's board of directors received a further update from Danaher's management regarding the potential spin-off of the Communications Business and acquisition of such business by NetScout.

Also on September 9, 2014, NetScout's board of directors met and discussed the status of the proposed transaction and certain business terms.

On September 10 and September 11, 2014, members of each of the management teams of Danaher and NetScout held a meeting in Washington, D.C. in which Mr. Singhal, Ms. Bua and other representatives of NetScout's finance and

technology team met with members of the senior management team from Danaher and Fluke Networks to discuss various business, technology and financial matters related to Danaher's Fluke Networks Enterprise business.

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Also on September 11, 2014, Cooley delivered the first draft of the Merger Agreement to Skadden, legal counsel to Danaher.

Between September 12 and September 28, 2014, representatives of NetScout and Danaher, and their respective legal, accounting and financial advisors, held multiple telephone conferences to discuss business, legal and accounting due diligence relating to both NetScout and the Communications Business, including steps needed for the preparation of an audit of the financial statements of Newco and the Communications Business as of and for the three-year period ended December 31, 2013.

On September 23, 2014, representatives of NetScout and Danaher and their respective legal and financial advisors held a telephone conference to discuss the proposed steps in the reorganization and separation of the Communications Business from Danaher. Skadden delivered the first draft of the Distribution Agreement to NetScout and its counsel. Skadden subsequently delivered a first draft of the Employee Matters Agreement and Tax Matters Agreement to NetScout and its counsel.

On September 25, 2014, Mr. Singhal updated NetScout's board of directors as to the status of the proposed transaction and certain business due diligence matters.

Between September 25 and October 7, 2014, representatives of Cooley, Baker & McKenzie, NetScout's counsel on tax matters and ex-US matters, and Wilson Sonsini, Goodrich & Rosati, NetScout's counsel on intellectual property matters, as well as other NetScout representatives, engaged in various negotiations about the terms of the Merger Agreement, the Distribution Agreement, the Employee Matters Agreement, the Tax Matters Agreement and other related transaction agreements with Skadden and other Danaher representatives. During this period, the parties identified but did not resolve a number of key items to be negotiated, including the precise calculation of the merger consideration (including whether and how such calculation would take into account the dilution to Danaher stockholders caused by shares issued, or equity awards granted, by NetScout between signing and closing), termination rights, termination fees, indemnification matters, an IRS private letter ruling, employee equity and employee benefit matters, the outside date by which the transactions must be consummated before NetScout and Danaher would have the right to terminate the Merger Agreement and the Distribution Agreement, and Danaher's request for a voting agreement from Mr. Singhal to vote his shares in favor of the issuance of shares of NetScout common stock in the proposed transaction. During this period, the parties also exchanged and negotiated the disclosure letters applicable to the Merger Agreement.

Between September 29 and October 6, 2014, Mr. Singhal and members of the senior management teams of Danaher and the Communications Business had several meetings to discuss business due diligence matters and certain terms of the transaction.

On October 8, 2014, NetScout's board of directors met with NetScout's senior management and legal and financial advisors and discussed the rationale for the proposed transaction, the attributes of each company that formed part of the Communications Business and certain financial projections which are summarized under "The Transactions" Certain Financial Forecasts Prepared by NetScout.

On October 10, 2014, NetScout's board of directors met with NetScout's senior management and legal and financial advisors to consider the proposed transaction. Members of NetScout's management reviewed the strategic rationale for the proposed transaction, the progress of negotiations between the parties and the due diligence then conducted to date. Representatives of Cooley reviewed the principal terms of the Merger Agreement and discussed the unresolved issues. Also at this meeting, RBC Capital Markets reviewed financial aspects of the proposed transaction. NetScout's board of directors then directed management, with the assistance of NetScout's advisors, to continue negotiation of the

remaining unresolved issues in the transaction.

Between October 11 and October 12, 2014, representatives of NetScout and Danaher, and their respective legal advisors, continued to negotiate the terms of the definitive documents providing for the Transactions. Key

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remaining issues that were resolved during that period included the precise manner for calculation of the exchange ratio, the circumstances under which a termination fee would be payable by NetScout, the size of the termination fee, closing conditions relating to the proposed IRS ruling, NetScout's termination rights associated with tax matters, structural matters relating to the separation being structured as a spin-off or split-off, certain indemnification matters and the remedy for potential differences between the unaudited financial statements of the Communications Business provided prior to the signing of definitive agreements and the audited financial statements of the Communications Business to be completed after execution of the definitive agreements (each as described in more detail in the section of this document entitled "The Merger Agreement"). Final issues resolved during such time period included the negotiation of certain employee benefit matters and certain tax matters. Additionally, the parties completed their due diligence.

Following continued negotiations on October 11, 2014 and October 12, 2014, the parties finalized their negotiation of all the material terms of the definitive documents for the Transactions, and agreed to submit the Transactions for review and approval by their respective boards of directors.

On October 12, 2014, NetScout's board of directors met, together with representatives of NetScout's senior management and legal and financial advisors, to review the final structure and terms of the Transactions. NetScout's legal advisors reviewed the principal terms of the Merger Agreement, the Distribution Agreement, the Employee Matters Agreement, the Tax Matters Agreement and other related agreements. Also at this meeting, RBC Capital Markets reviewed with NetScout's board of directors its financial analysis of the merger consideration to be paid by NetScout in the First Merger and delivered to NetScout's board of directors an oral opinion, confirmed by delivery of a written opinion dated October 12, 2014, to the effect that, as of that date and based on and subject to the matters described in the opinion, the merger consideration to be paid by NetScout in the First Merger was fair, from a financial point of view, to NetScout. Following further discussion, NetScout's board of directors, by unanimous vote, determined that the Merger Agreement and the proposed transactions with Danaher were advisable and fair to, and in the best interests of, NetScout and its stockholders, approved the Merger Agreement and unanimously recommended that NetScout stockholders approve the issuance of shares of NetScout common stock in the First Merger and approve any other transactions contemplated by the Merger Agreement, including the Mergers.

Also on October 12, 2014, the board of directors of Danaher met, together with representatives of management, to review the final structure and terms of the Transactions. Danaher's management provided information on the due diligence that Danaher conducted with respect to NetScout as well as the terms, structure and strategic rationale of the proposed transactions and the anticipated financial and business impact thereof with respect to Danaher. Following discussion, the board of directors of Danaher, by unanimous vote of all members present, determined that the Merger Agreement and the transactions were advisable and in the best interests of Danaher and its stockholders and approved the Merger Agreement, the Distribution Agreement, the Voting Agreement and the forms of the other transaction agreements and the transactions contemplated thereby.

Following their respective board meetings, NetScout, Danaher and Newco, as the case may be, then signed the Merger Agreement and the Distribution Agreement and Mr. Singhal and Danaher signed the Voting Agreement.

On October 13, 2014, before the opening of trading on NASDAQ and the NYSE, NetScout and Danaher issued press releases announcing the Transactions.

**NetScout's Reasons for the Transactions**

In reaching its decision to approve the Merger Agreement and recommend that NetScout stockholders approve the issuance of shares of NetScout common stock in the First Merger, the board of directors of NetScout considered,



among other things, the strategic and financial benefits that could be expected to be achieved by combining NetScout and the Communications Business relative to the future prospects of NetScout on a

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standalone basis, the relative actual results of operations and prospects of NetScout and of the Communications Business, as well as other strategic alternatives that may be available to NetScout, and the risks and uncertainties associated with the Transactions and with such alternatives.

In that process, the board of directors of NetScout considered the following factors as generally supporting its decision to approve the Merger Agreement and recommend that NetScout stockholders approve the issuance of shares of NetScout common stock in the First Merger:

***Advances Strategic Objectives.*** The acquisition advances NetScout's strategic objectives of expanding its product portfolio across service assurance and performance analytics, business intelligence and cyber security solutions for communications service providers and large and small enterprises, and government organizations. Consequently, NetScout believes that the acquisition will enhance its ability to create long-term value for its stockholders, including by providing the following benefits:

*Enhanced Financial Performance.* The acquisition enables NetScout to grow from a revenue base of \$397 million in fiscal year 2014 and a projected revenue base of \$450 million to \$465 million in fiscal year 2015 to a combined non-GAAP annual revenue base of more than \$1.2 billion, with an expanded range of complementary products, which is expected to position NetScout to drive strong revenue growth and improved profitability over the long term. Over the long term, NetScout management believes that the combined company will be capable of growing revenue at an approximate compounded annual growth rate of 10 percent.

*Expanded Addressable Markets and Broader Customer Base.* The acquisition increases NetScout's addressable market and broadens both its service provider and enterprise customer base and accelerates its entry into the cyber security market and further enhances its capabilities in other sectors such as business intelligence. The acquisition significantly expands NetScout's total addressable market to more than \$8 billion. International Data Corporation (IDC) estimated that spending on network and application performance management solutions, NetScout's core market prior to the acquisition, was approximately \$5.0 billion in 2013. However, NetScout did not have the requisite offerings to fully address key segments within its core market. The acquisition provides NetScout with new capabilities to fill gaps in its product portfolio and target parts of these markets that were previously not available to NetScout such as radio access network optimization and the low-mid tier of the enterprise network performance management market. Additionally, the acquisition enables NetScout to enter the cyber security market and further enhances its capabilities in the advanced analytics (business intelligence) market, in which such markets global spending was estimated by IDC to be over \$3 billion in 2013.

*Expansion of Service Provider Base.* The acquisition of the Tektronix Communications business, a leading provider of service provider network monitoring solutions, provides NetScout with broader access to service provider customers, extends its reach into the RAN portion of the network, offers complementary business intelligence analytics and gives NetScout greater ability to cross-sell solutions into NetScout's and Tektronix Communications' existing customer bases. Having a broader, more robust technology and operational platform enables NetScout to further differentiate the company against competitors in the market.

*Expansion of NetScout's Enterprise Customer Base.* The acquisition of portions of the Fluke Networks Enterprise business, a leading provider of network monitoring solutions, allows NetScout to expand into serving mid-tier and smaller enterprise customers and expand NetScout's enterprise product offerings in specialized areas such as software-as-a-service (SaaS) and cloud-based applications and WiFi monitoring.

*Extension into Adjacent Growth-Oriented Markets.* The acquisition of Arbor Networks, a leading provider of network cyber attack detection and mitigation solutions for service provider and enterprise networks, allows NetScout to immediately enter the cyber intelligence and cyber security market. Arbor Networks' offerings for distributed denial of service and advanced persistent protection are used by more than 300 service provider customers and a growing base of enterprise customers.

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*Substantially Broader Portfolio of Best-in-Class Products.* NetScout will gain complementary, award-winning technologies, capabilities and offerings that can better position it to deliver high-value products and services for its existing and prospective enterprise and service provider customers and better position NetScout to compete for a broader range of strategic IT management opportunities in both the enterprise and service provider markets.

*Broader and More Diverse Geographic Footprint.* NetScout will expand its geographical footprint outside of North America, through the Communications Business existing customer accounts and through an extensive direct sales, support and service infrastructure, including value-added reseller relationships in key markets such as Southeast Asia, Australia, Japan, Europe and Latin America.

*Strong Research and Development Capabilities.* The combined company is expected to have more than 35% of the workforce composed of research and development personnel, and NetScout will be better positioned to address future technology trends, accelerate innovation, and improve its overall competitive position.

*Cost Synergies.* NetScout expects to achieve initial annualized run-rate cost synergies of approximately five percent of the combined cost base, or approximately \$45 to \$55 million within two years from the consummation of the Transactions as a result of increased size, economies of scale, and elimination of redundancies after the Transactions. NetScout expects to generate additional cost synergies in subsequent years by using common infrastructure platforms, and by eliminating or reducing expenses associated with programs and capabilities already in place as NetScout aligns its go-to-market and related support programs and initiatives. However, the magnitude and timing of such synergies has yet to be determined. For a further description of expected cost synergies see Certain Financial Forecasts Prepared by NetScout Cost beginning on Page 119.

*Accretive Transaction.* NetScout expects the Transactions to be accretive on a non-GAAP basis in the first full year of operations. NetScout expects that it will be able to leverage its purchasing power and expand its proven manufacturing techniques in ways that will improve product gross margins by a few percentage points over the next few years.

*Transaction Terms and Other Considerations.* The board of directors of NetScout also considered the following facts about the Transactions and combined company:

the fact that the number of shares of common stock to be issued by NetScout is fixed and will not fluctuate based upon changes in the stock price of NetScout or Danaher prior to the completion of the First Merger;

the fact that the Merger Agreement and the aggregate consideration to be paid by NetScout pursuant to the Merger Agreement were the result of extensive arms-length negotiations between representatives of NetScout and of Danaher;

the fact that the aggregate consideration to be paid by NetScout is payable in NetScout common stock, enabling NetScout to increase its revenue over 2.5 times without depleting its cash resources and incurring debt, thereby preserving its future ability to use leverage to further the growth of its business;

the opinion, dated October 12, 2014, of RBC Capital Markets to NetScout's board of directors as to the fairness, from a financial point of view and as of such date, to NetScout of the merger consideration to be paid by NetScout in the First Merger, which opinion was based on and subject to the procedures followed, assumptions made, factors considered and limitations and qualifications on the review undertaken as more fully described under "Opinion of NetScout's Financial Advisor";

the fact that the board of directors of the combined company would be composed of all of the current directors of NetScout and one director from Danaher, expected to be James A. Lico, an Executive Vice President of Danaher;

the fact that the executive officers of the combined company would be composed of all of the current executive officers of NetScout, but with additional management talent to be gained from the acquired companies; and

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the ability of the board of directors of NetScout under the Merger Agreement, subject to the payment of a termination fee, to withdraw or modify its recommendation to the NetScout stockholders to approve the issuance of the NetScout common stock in the First Merger in certain circumstances.

The board of directors of NetScout considered the following risk factors but determined that the benefits of the proposed transaction substantially outweighed such risks:

the possibility that the increased revenues, earnings and efficiencies expected to result from the Transactions would fail to materialize;

the challenges inherent in fully and successfully separating the operations of the Communications Business from Danaher and integrating Newco into NetScout, given the size of the Communications Business relative to NetScout and its operations;

the dilution of the ownership interests of NetScout's current stockholders that would result from the issuance of NetScout common stock in the First Merger;

the potential payment of termination fees that NetScout would be required to make in certain circumstances under the Merger Agreement;

the restrictions imposed on NetScout's ability to take certain corporate actions under the terms of the Tax Matters Agreement to be entered into by NetScout and Danaher, which could reduce its ability to engage in certain future business transactions that might be advantageous;

the risks inherent in requesting that the U.S. Federal Trade Commission and the U.S. Department of Justice allow the waiting period under the HSR Act to expire;

the requirement in the Merger Agreement that NetScout call and hold a vote of its stockholders to approve the issuance of the NetScout common stock in the First Merger even in circumstances where the board of directors of NetScout has withdrawn or adversely changed its recommendation to the NetScout stockholders;

the possibility that the Transactions may not be consummated and the potential adverse consequences, including substantial costs that would be incurred and potential damage to NetScout's reputation, if the Transactions are not completed; and

the other risks described above under the section entitled "Risk Factors" beginning on page 31.

The foregoing discussion of the information and factors considered by the board of directors of NetScout is not exhaustive, but includes the material factors considered by the board of directors of NetScout, including factors that support the Transactions as well as those that weigh against them. In view of the wide variety of factors considered by

the board of directors of NetScout in connection with its evaluation of the Transactions and the complexity of these matters, the board of directors of NetScout did not consider it practical to, nor did it attempt to, quantify, rank or otherwise assign relative weights to the specific factors that it considered in reaching its decision. Rather, the board of directors of NetScout based its recommendation on the totality of the information presented to and considered by it. The board of directors of NetScout evaluated the factors described above with the assistance of NetScout's senior management and legal and financial advisors. In considering the factors described above, individual members of the board of directors of NetScout may have given different weights to other or different factors.

This explanation of the factors considered by the board of directors of NetScout is in part forward-looking in nature and, therefore, should be read in light of the factors discussed in the sections of this document entitled "Cautionary Statement Concerning Forward-Looking Statements" and "Risk Factors."

After careful consideration, the board of directors of NetScout resolved that the Transactions contemplated by the Merger Agreement are advisable and fair to, and in the best interests of NetScout and its stockholders and unanimously approved the Merger Agreement, the Mergers and the other Transactions.

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**The board of directors of NetScout recommends that the stockholders of NetScout vote FOR approval of the issuance of shares of NetScout common stock in the First Merger and, if necessary or appropriate, FOR the adjournment or postponement of the special meeting to solicit additional proxies if there are not sufficient votes at the time of the special meeting to approve the issuance of shares of NetScout common stock in the Merger.**

**Opinion of NetScout's Financial Advisor**

NetScout has retained RBC Capital Markets to act as NetScout's financial advisor in connection with the Mergers. As part of this engagement, NetScout's board of directors requested that RBC Capital Markets evaluate the fairness, from a financial point of view, to NetScout of the merger consideration to be paid by NetScout in the First Merger. At an October 12, 2014 meeting of NetScout's board of directors held to evaluate the Mergers, RBC Capital Markets rendered to NetScout's board of directors an oral opinion, confirmed by delivery of a written opinion dated October 12, 2014, to the effect that, as of that date and based on and subject to the matters described in the opinion, the merger consideration to be paid by NetScout in the First Merger was fair, from a financial point of view, to NetScout. For purposes of RBC Capital Markets' analyses and opinion, the term "merger consideration" refers to the 62.5 million shares of NetScout common stock, in the aggregate, issuable in the First Merger. The full text of RBC Capital Markets' written opinion, dated October 12, 2014, is attached as Annex C to this proxy statement and is incorporated in this document by reference. The written opinion sets forth, among other things, the procedures followed, assumptions made, factors considered and qualifications and limitations on the review undertaken by RBC Capital Markets in connection with its opinion. The following summary of RBC Capital Markets' opinion is qualified in its entirety by reference to the full text of the opinion. **RBC Capital Markets delivered its opinion to NetScout's board of directors for the benefit, information and assistance of NetScout's board of directors (in its capacity as such) in connection with and for purposes of its evaluation of the Mergers. RBC Capital Markets' opinion addressed only the merger consideration from a financial point of view to NetScout and did not address any other aspect of the Mergers or any related transactions. RBC Capital Markets' opinion also did not address the underlying business decision of NetScout to engage in the Mergers or any related transactions or the relative merits of the Mergers or any related transactions compared to any alternative business strategy or transaction that might be available to NetScout or in which NetScout might engage. RBC Capital Markets does not express any opinion and does not make any recommendation to any stockholder as to how such stockholder should vote or act with respect to any proposal to be voted upon in connection with the Mergers or any related transactions.**

In connection with its opinion, RBC Capital Markets, among other things:

reviewed the financial terms of drafts, each dated October 12, 2014, of the Merger Agreement and Distribution Agreement;

reviewed certain publicly available financial and other information, and certain historical operating data, with respect to NetScout made available to RBC Capital Markets from published sources and internal records of NetScout;

reviewed certain publicly available financial and other information, and certain historical operating data, with respect to the Communications Business made available to RBC Capital Markets from published sources and internal records of Danaher;



reviewed publicly available financial projections and other estimates and data relating to NetScout for the fiscal years ended March 31, 2015 and March 31, 2016 as extrapolated thereafter by the management of NetScout and financial projections and other estimates and data relating to the Communications Business prepared by the management of Danaher for the fiscal year ended December 31, 2014 as adjusted and extrapolated thereafter by the management of NetScout, in each case which RBC Capital Markets was directed to utilize for purposes of its analyses;

conducted discussions with members of the senior managements of NetScout and Danaher with respect to the respective business prospects and financial outlook of NetScout and the Communications

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Business and also held discussions with the senior management of NetScout regarding the strategic rationale and potential cost savings and other benefits expected by such management to be realized in the Mergers and related transactions, which we collectively refer to as cost savings ;

reviewed the reported prices and trading activity for NetScout common stock;

compared certain financial metrics of NetScout and the Communications Business with those of selected publicly traded companies;

reviewed the potential pro forma financial impact of the Mergers on the future financial performance of NetScout after taking into account potential cost savings; and

considered other information and performed other studies and analyses as RBC Capital Markets deemed appropriate. RBC Capital Markets noted for the NetScout board of directors that it did not compare the financial terms of the Mergers to financial terms of other transactions given, in RBC Capital Markets view, the limited comparability of such other transactions to the Mergers.

In arriving at its opinion, RBC Capital Markets employed several analytical methodologies and no one method of analysis should be regarded as critical to the overall conclusion reached by RBC Capital Markets. Each analytical technique has inherent strengths and weaknesses, and the nature of the available information may further affect the value of particular techniques. The overall conclusion reached by RBC Capital Markets was based on all analyses and factors presented, taken as a whole, and also on application of RBC Capital Markets experience and judgment. Such conclusion may have involved significant elements of subjective judgment and qualitative analysis. RBC Capital Markets therefore gave no opinion as to the value or merit standing alone of any one or more portions of such analyses or factors.

In rendering its opinion, RBC Capital Markets assumed and relied upon the accuracy and completeness of all information that was reviewed by RBC Capital Markets, including all of the financial, legal, tax, accounting, operating and other information provided to or discussed with RBC Capital Markets by or on behalf of NetScout or Danaher (including, without limitation, financial statements and related notes), and upon the assurances of the managements of NetScout and Danaher that they were not aware of any relevant information that was omitted or that remained undisclosed to RBC Capital Markets. RBC Capital Markets did not assume responsibility for independently verifying and it did not independently verify such information. RBC Capital Markets assumed that the publicly available financial projections and other estimates and data relating to NetScout (as extrapolated by the management of NetScout) and the financial projections and other estimates and data relating to the Communications Business (as adjusted and extrapolated by the management of NetScout) which RBC Capital Markets was directed to utilize in its analyses were reasonably prepared on bases reflecting the best currently available estimates and good faith judgments as to the future financial performance of NetScout and the Communications Business and the other matters covered thereby and that the financial results reflected therein would be realized in the amounts and at the times projected. RBC Capital Markets also was advised that there were no audited financial statements relating to the Communications Business and RBC Capital Markets assumed that such audited financial statements, when delivered to NetScout in connection with the Mergers, would not reflect any information that would be meaningful to its analyses or opinion. RBC Capital Markets expressed no opinion as to any such financial projections and other estimates and data or the assumptions upon which they were based. RBC Capital Markets relied upon the assessments of the managements of NetScout and Danaher as to (i) the Transactions (other than the Mergers), including with respect to the timing thereof

and assets, liabilities and financial and other terms involved, (ii) the potential impact on NetScout and the Communications Business of market and other trends and prospects for the technology industry, (iii) the products, technology and intellectual property of NetScout and the Communications Business, including the validity of, and risks associated with, such products, technology and intellectual property, (iv) the existing and future relationships, agreements and arrangements with, and NetScout's ability to retain, key employees and customers of NetScout and the Communications Business, and (v) NetScout's ability to integrate the Communications Business with the businesses and operations of NetScout. RBC Capital Markets assumed that there would be no developments with respect to any of the foregoing that would have an adverse effect on

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NetScout, the Communications Business, Newco, the Mergers or related transactions or that would otherwise be meaningful in any respect to its analyses or opinion. RBC Capital Markets also relied on estimates of the management of NetScout as to the capitalization of NetScout and Newco, including as to the number of fully diluted shares of NetScout common stock and Newco common units, as of the effective time of the First Merger, and RBC Capital Markets assumed that such number of shares or units, as the case may be, would not vary in any respect that would be meaningful to its analyses or opinion.

In rendering its opinion, RBC Capital Markets did not assume any responsibility to perform, and it did not perform, an independent evaluation or appraisal of any of the assets or liabilities (contingent or otherwise) of NetScout, the Communications Business or any other entity (including Newco) or business, and RBC Capital Markets was not furnished with any such valuations or appraisals. RBC Capital Markets did not assume any obligation to conduct, and it did not conduct, any physical inspection of the property or facilities of NetScout, the Communications Business or any other entity or business. RBC Capital Markets assumed that the Mergers and related transactions would be consummated in accordance with the terms of the Merger Agreement and Distribution Agreement and all applicable laws and other requirements, without waiver, modification or amendment of any material term, condition or agreement and that, in the course of obtaining the necessary regulatory or third party approvals, consents and releases for the Mergers and related transactions, no delay, limitation, restriction or condition would be imposed, including any divestiture or other requirements, that would have an adverse effect on NetScout, the Communications Business, Newco, the Mergers or related transactions (including the contemplated benefits thereof). RBC Capital Markets also assumed that the Mergers and related transactions would have the tax treatment as set forth in the Merger Agreement and the Distribution Agreement, including that the First Merger and the Second Merger would be treated as a single integrated transaction and would together qualify as a tax-free reorganization within the meaning of Section 368 of the Internal Revenue Code of 1986, as amended. RBC Capital Markets further assumed that Newco would retain or acquire all assets, properties and rights necessary for the operations of the Communications Business, that appropriate reserves, indemnification arrangements or other provisions had been made with respect to the liabilities of or relating to the Communications Business and that NetScout would not directly or indirectly assume or incur any liabilities that were contemplated to be excluded as a result of the Mergers, the related transactions or otherwise. In addition, RBC Capital Markets assumed that the final executed Merger Agreement and Distribution Agreement would not differ, in any respect meaningful to its analyses or opinion, from the drafts of the Merger Agreement and Distribution Agreement reviewed by RBC Capital Markets.

RBC Capital Markets' opinion spoke only as of the date of its opinion, was based on conditions as they existed and information which RBC Capital Markets was supplied as of the date of its opinion, and was without regard to any market, economic, financial, legal or other circumstances or events of any kind or nature which may exist or occur after such date. RBC Capital Markets did not undertake to reaffirm or revise its opinion or otherwise comment upon events occurring after the date of its opinion and did not have an obligation to update, revise or reaffirm its opinion. RBC Capital Markets' opinion related to the relative values of NetScout and the Communications Business. RBC Capital Markets did not express any opinion as to what the value of NetScout common stock actually would be when issued in connection with the Mergers or the prices or range of prices at which NetScout common stock may trade or otherwise be transferable at any time, whether prior to or following the Mergers and related transactions.

RBC Capital Markets' opinion addressed only the fairness, from a financial point of view and as of the date of its opinion, of the merger consideration (to the extent expressly specified in its opinion) to NetScout. RBC Capital Markets' opinion did not in any way address any other terms, conditions, implications or other aspects of the Mergers, the related transactions, the Merger Agreement, the Distribution Agreement or any related agreements, or any adjustment payment or other agreement, arrangement or understanding to be entered into in connection with or contemplated by the Mergers, the related transactions or otherwise. RBC Capital Markets did not evaluate the solvency or fair value of NetScout, Danaher, the Communications Business or any other entity (including Newco) or

business under any state, federal or other laws relating to bankruptcy, insolvency or similar matters. RBC Capital Markets did not express any opinion as to any legal, regulatory, tax or accounting matters, as to which RBC Capital Markets understood that NetScout obtained such advice as it deemed necessary from

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qualified professionals. Further, in rendering its opinion, RBC Capital Markets did not express any view on, and its opinion did not address, the fairness of the amount or nature of the compensation (if any) to any officers, directors or employees of any party, or class of such persons, relative to the merger consideration or otherwise.

The issuance of RBC Capital Markets' opinion was approved by RBC Capital Markets' fairness opinion committee. Except as described in this summary, NetScout imposed no other instructions or limitations on the investigations made or procedures followed by RBC Capital Markets in rendering its opinion.

In preparing its opinion to NetScout's board of directors, RBC Capital Markets performed various financial and comparative analyses, including those described below. The summary below of RBC Capital Markets' material financial analyses provided to NetScout's board of directors in connection with RBC Capital Markets' opinion is not a comprehensive description of all analyses undertaken or factors considered by RBC Capital Markets in connection with its opinion. The preparation of a financial opinion is a complex analytical process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, a financial opinion is not readily susceptible to partial analysis or summary description.

In performing its analyses, RBC Capital Markets considered industry performance, general business and economic conditions and other matters, many of which are beyond the control of NetScout and Danaher. The estimates of the future performance of NetScout and the Communications Business in or underlying RBC Capital Markets' analyses are not necessarily indicative of actual values or actual future results, which may be significantly more or less favorable than those estimates or those suggested by RBC Capital Markets' analyses. The analyses do not purport to be appraisals or to reflect the prices at which a company might actually be sold or acquired or the prices at which any securities have traded or may trade at any time in the future. Accordingly, the estimates used in, and the ranges of valuations resulting from, any particular analysis described below are inherently subject to substantial uncertainty and should not be taken as RBC Capital Markets' view of the actual value of NetScout or the Communications Business.

The merger consideration to be paid by NetScout in the First Merger was determined through negotiations between NetScout and Danaher and was approved by NetScout's board of directors. The decision to enter into the Merger Agreement and Distribution Agreement was solely that of NetScout's board of directors. RBC Capital Markets' opinion and analyses were only one of many factors considered by NetScout's board of directors in its evaluation of the Mergers and should not be viewed as determinative of the views of NetScout's board of directors, management or any other party with respect to the Mergers or related transactions or the consideration payable in the Mergers or related transactions.

The following is a brief summary of the material financial analyses provided by RBC Capital Markets to NetScout's board of directors in connection with RBC Capital Markets' opinion, dated October 12, 2014. **The financial analyses summarized below include information presented in tabular format. In order to fully understand the financial analyses performed by RBC Capital Markets, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. Selecting portions of RBC Capital Markets' financial analyses or factors considered or focusing on the data set forth in the tables below without considering all analyses or factors or the full narrative description of such analyses or factors, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of RBC Capital Markets' financial analyses.**

*Introduction.* In its analysis of the merger consideration from a financial point of view to NetScout, RBC Capital Markets performed various financial analyses, as more fully described below. Utilizing selected public companies and discounted cash flow analyses, RBC Capital Markets calculated implied enterprise value reference ranges for the

Communications Business and implied per share equity value reference ranges for NetScout. RBC Capital Markets then calculated implied reference ranges of the aggregate number of shares of NetScout common stock issuable in the First Merger, referred to as implied issuable shares, based on the

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implied enterprise value and per share equity value reference ranges derived from these analyses, by (i) in the case of the low-end of such implied reference ranges, dividing the low-end of the implied enterprise value reference ranges for the Communications Business by the high-end of the implied per share equity value reference ranges for NetScout and (ii) in the case of the high-end of such implied reference ranges, dividing the high-end of the implied enterprise value reference ranges for the Communications Business by the low-end of the implied per share equity value reference ranges for NetScout. RBC Capital Markets also performed a pro forma contribution analysis to derive a range of implied issuable shares based on the relative contributions of NetScout and the Communications Business to various financial metrics of the pro forma combined company.

Financial data utilized for NetScout in the financial analyses described below was based on publicly available financial projections and other estimates and data relating to NetScout on a non-GAAP basis for the fiscal years ended March 31, 2015 and March 31, 2016 as extrapolated thereafter by the management of NetScout, which we refer to as the NetScout forecasts, and financial data utilized for the Communications Business in such financial analyses was based on financial projections and other estimates and data relating to the Communications Business prepared by the management of Danaher on a non-GAAP basis for the fiscal year ended December 31, 2014 as adjusted and extrapolated thereafter by the management of NetScout, which we refer to as the Communications Business forecasts. At the direction of the management of NetScout, RBC Capital Markets assumed, for purposes of its analyses and opinion, that no shares of NetScout common stock would be issued in connection with any acquisition effected as permitted by the terms of the Merger Agreement and, accordingly, RBC Capital Markets evaluated the aggregate number of shares of NetScout common stock issuable in the First Merger on the basis of 62.5 million shares.

*Selected Public Companies Analyses.* RBC Capital Markets performed selected public companies analyses of NetScout and the Communications Business in which RBC Capital Markets reviewed certain financial and stock market information of NetScout, certain financial information of the Communications Business and certain financial and stock market information of selected companies that RBC Capital Markets considered, in its professional judgment, generally relevant for comparative purposes. Financial data of the selected companies were based on publicly available research analysts' estimates, public filings and other publicly available information. Financial data of NetScout was based on public filings and the NetScout forecasts (with such data calendarized as necessary) and financial data of the Communications Business was based on public filings and the Communications Business forecasts.

In its selected public companies analysis of NetScout, RBC Capital Markets reviewed, among other things, enterprise values, calculated as equity values based on closing stock prices on October 10, 2014 plus debt and less cash and cash equivalents and short-term and long-term investments, as a multiple of calendar year 2014 and calendar year 2015 estimated unlevered net income and also reviewed equity values, based on closing stock prices on October 10, 2014, as a multiple of calendar year 2014 and calendar year 2015 estimated earnings per share, which we refer to as EPS, of NetScout and the following seven selected companies in the network monitoring and management industry, which we refer to as the selected network monitoring companies, and the following two selected companies in the systems management industry, which we refer to as the selected systems management companies (we collectively refer to the selected network monitoring companies and the selected systems management companies as the selected companies):

Network Monitoring and Management:

Systems Management:

Allot Communications Ltd.

Citrix Systems, Inc.



EXFO Inc.

SolarWinds, Inc.

Gigamon Inc.

Ixia

JDS Uniphase Corporation

Riverbed Technology, Inc.

Spirent Communications Plc.

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The overall low to high calendar year 2014 and calendar year 2015 estimated unlevered net income multiples observed for the selected companies were 15.5x to 34.9x (with a median of 19.7x for the selected network monitoring companies and a median of 20.7x for the selected systems management companies) in the case of calendar year 2014 and 10.7x to 18.8x (with a median of 12.7x for the selected network monitoring companies and a median of 17.9x for the selected systems management companies) in the case of calendar year 2015. The overall low to high calendar year 2014 and calendar year 2015 estimated EPS multiples observed for the selected companies were 15.7x to 33.4x (with a median of 22.3x for the selected network monitoring companies and a median of 22.1x for the selected systems management companies) in the case of calendar year 2014 and 14.0x to 20.5x (with a median of 15.5x for the selected network monitoring companies and a median of 19.1x for the selected systems management companies) in the case of calendar year 2015. RBC Capital Markets noted that, based on NetScout's closing stock price on October 10, 2014, calendar year 2014 and calendar year 2015 estimated unlevered net income multiples observed for NetScout were 21.2x and 18.2x, respectively, and calendar year 2014 and calendar year 2015 estimated EPS multiples observed for NetScout were 24.4x and 20.9x, respectively. In deriving implied per share equity value reference ranges for NetScout, RBC Capital Markets then applied the overall low to high calendar year 2014 and calendar year 2015 estimated unlevered net income multiples and calendar year 2014 and calendar year 2015 estimated EPS multiples observed for the selected companies to corresponding data of NetScout. This analysis indicated approximate implied per share equity value reference ranges for NetScout based on calendar year 2014 and calendar year 2015 estimated unlevered net income multiples of \$32.07 to \$65.35 and \$26.92 to \$43.15, respectively, and based on calendar year 2014 and calendar year 2015 estimated EPS multiples of \$27.05 to \$57.55 and \$28.21 to \$41.30, respectively.

With respect to the Communications Business, RBC Capital Markets performed a sum-of-the-parts selected public companies analysis of the Tektronix Communications and Arbor Networks businesses and certain parts of Fluke Networks comprising the Communications Business to be acquired in the First Merger. In evaluating the Tektronix Communications business and certain parts of Fluke Networks, RBC Capital Markets reviewed, among other things, enterprise values as a multiple of calendar year 2014 and calendar year 2015 estimated unlevered net income of NetScout and the same selected network monitoring companies and selected systems management companies reviewed for the selected public companies analysis of NetScout. In evaluating the Arbor Networks business, RBC Capital Markets reviewed, among other things, enterprise values as a multiple of calendar year 2014 and calendar year 2015 estimated revenue of the following five selected companies in the network security industry, which we refer to as the selected network security companies (we collectively refer to the selected companies and the selected network security companies as the Communications Business selected companies):

A10 Networks, Inc.

Barracuda Networks, Inc.

F5 Networks, Inc.

Fortinet, Inc.

Radware Ltd.

The overall low to high calendar year 2014 and calendar year 2015 estimated unlevered net income multiples observed for the selected companies, as noted above, were 15.5x to 34.9x (with a median of 19.7x for the selected network monitoring companies and a median of 20.7x for the selected systems management companies) in the case of calendar year 2014 and 10.7x to 18.8x (with a median of 12.7x for the selected network monitoring companies and a median of 17.9x for the selected systems management companies) in the case of calendar year 2015. Calendar year 2014 and calendar year 2015 estimated unlevered net income multiples observed for NetScout, as noted above, were 21.2x and 18.2x, respectively. The overall low to high calendar year 2014 and calendar year 2015 estimated revenue multiples observed for the selected network security companies were 0.8x to 4.9x (with a median of 3.9x) in the case of calendar year 2014 and 0.7x to 4.2x (with a median of 3.4x) in the case of calendar year 2015. In deriving implied enterprise value reference ranges for the Communications Business, RBC Capital Markets then applied the overall low to high calendar year 2014 and

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calendar year 2015 estimated unlevered net income multiples observed for NetScout and the other selected companies to corresponding data of the Tektronix Communications business and certain parts of Fluke Networks to be acquired in the First Merger and the overall low to high calendar year 2014 and calendar year 2015 estimated revenue multiples observed for the selected network security companies to corresponding data of the Arbor Networks business. This analysis indicated approximate aggregate implied enterprise value reference ranges for the Communications Business based on calendar year 2014 estimated unlevered net income and calendar year 2014 estimated revenue multiples of \$1.455 billion to \$3.850 billion and based on calendar year 2015 estimated unlevered net income and calendar year 2015 estimated revenue multiples of \$1.127 billion to \$2.634 billion.

Utilizing the approximate implied per share equity value reference ranges derived for NetScout based on the calendar year 2014 and calendar year 2015 estimated unlevered net income multiples described above and the approximate aggregate implied enterprise value reference ranges derived for the Communications Business described above, RBC Capital Markets calculated the following approximate ranges of implied issuable shares, as compared to the merger consideration to be paid by NetScout in the First Merger:

Ranges of Implied Issuable Shares Based On:					
2014E Unlevered		2015E Unlevered		Merger	
Net Income and 2014E Revenue		Net Income and 2015E Revenue		Consideration	
22.0 million	119.8 million	25.8 million	97.6 million	62.5 million	

In addition, RBC Capital Markets noted that the corresponding approximate implied issuable shares would be 22.3 million to 120.1 million shares (based on calendar year 2014 estimated unlevered net income and 2014 estimated revenue) and 26.1 million to 97.9 million shares (based on calendar year 2015 estimated unlevered net income and 2014 estimated revenue) as compared to 62.8 million shares of NetScout common stock issuable in the First Merger, on a fully-diluted basis.

No company or business used in these analyses is identical to NetScout or the Communications Business. Accordingly, an evaluation of the results of these analyses is not entirely mathematical. Rather, these analyses involve complex considerations and judgments concerning differences in financial and operating characteristics and other factors that could affect the public trading or other values of the companies or businesses to which NetScout and the Communications Business were compared.

*Discounted Cash Flow Analyses.* RBC Capital Markets performed separate discounted cash flow analyses of NetScout and the Communications Business by calculating the estimated present value of the standalone unlevered, after-tax free cash flows that NetScout was forecasted to generate during the fiscal years ending March 31, 2015 through March 31, 2020 based on the NetScout forecasts, and the estimated present value of the standalone unlevered, after-tax free cash flows that the Communications Business was forecasted to generate during the fiscal years ending December 31, 2014 through December 31, 2019 based on the Communications Business forecasts. RBC Capital Markets calculated terminal values for NetScout and the Communications Business by applying to NetScout's and the Communications Business' respective terminal year estimated unlevered, after-tax free cash flows a range of perpetuity growth rates of 2.5% to 4.5% in the case of NetScout and 2.0% to 4.0% in the case of the Communications Business. The unlevered, after-tax free cash flows and terminal values were then discounted to present value (as of October 10, 2014) using discount rates ranging from 10% to 11% derived from a weighted average cost of capital calculation. This analysis indicated an approximate implied per share equity value reference range for NetScout of \$39.94 to \$55.19 and an approximate implied enterprise value reference range for the Communications Business of \$1.962 billion to \$2.768 billion.

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Utilizing the approximate implied per share equity value reference range derived for NetScout common stock and the approximate implied enterprise value reference range derived for the Communications Business described above, RBC Capital Markets calculated the following approximate range of implied issuable shares, as compared to the merger consideration to be paid by NetScout in the First Merger:

Range of Implied Issuable Shares	Merger Consideration
35.3 million – 69.0 million	62.5 million

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In addition, RBC Capital Markets noted that the corresponding approximate implied issuable shares would be 35.5 million to 69.3 million shares as compared to 62.8 million shares of NetScout common stock issuable in the First Merger, on a fully-diluted basis.

*Relative Contribution Analysis.* RBC Capital Markets performed a relative contribution analysis of NetScout and the Communications Business in which RBC Capital Markets reviewed the relative contributions of NetScout and the Communications Business to the combined company's calendar year 2014 and calendar year 2015 estimated revenue, earnings before interest, taxes, depreciation and amortization, which we refer to as EBITDA, unlevered net income and net income. Financial data of NetScout was based on the NetScout forecasts (with such data calendarized as necessary) and financial data of the Communications Business was based on the Communications Business forecasts. This analysis indicated overall relative contributions by NetScout of approximately 35.6% to 40.9% and by the Communications Business of approximately 59.1% to 64.4% to the combined company's calendar year 2014 and calendar year 2015 estimated revenue, EBITDA, unlevered net income and net income.

Utilizing the overall relative contributions of NetScout and the Communications Business to the combined company described above, RBC Capital Markets calculated the following approximate range of implied issuable shares, as compared to the merger consideration to be paid by NetScout in the First Merger:

Range of Implied Issuable Shares		Merger Consideration
53.4 million	67.0 million	62.5 million

In addition, RBC Capital Markets noted that, based on the merger consideration, the implied pro forma ownership in the combined company of NetScout stockholders and Danaher stockholders (including holders of Danaher restricted stock units) were approximately 40.5% and 59.5%, respectively. RBC Capital Markets also noted that the corresponding approximate implied issuable shares would be 53.7 million to 67.3 million shares as compared to 62.8 million shares of NetScout common stock issuable in the First Merger, on a fully-diluted basis.

*Additional Information.* RBC Capital Markets observed certain additional information that was not considered part of RBC Capital Markets' financial analyses with respect to its opinion but was referenced for informational purposes, including, among other things, the following:

historical trading performance of NetScout common stock during the 52-week period ended October 10, 2014, which reflected low to high closing prices for NetScout common stock during such period of \$24.83 to \$47.33 per share, as compared to the closing price of NetScout common stock on October 10, 2014 of \$41.91 per share;

publicly available research analysts' stock price targets for NetScout common stock, which indicated standalone stock price targets for NetScout common stock discounted to present value utilizing a discount rate of 15% based on NetScout's cost of equity of approximately \$29.57 per share to \$46.96, as compared to the closing price of NetScout common stock on October 10, 2014 of \$41.91 per share; and

potential pro forma financial effects of the Mergers, both before and after giving effect to potential cost savings, on, among other things, the combined company's estimated non-GAAP EPS relative to

NetScout's standalone estimated EPS based on the NetScout forecasts and the Communications Business forecasts, which indicated that the Mergers could be accretive to NetScout's standalone estimated EPS before giving effect to potential cost savings by approximately 0.9% and after giving effect to potential cost savings by approximately 11.9%. The actual results achieved by the combined company may vary from forecasted results and the variations may be material.

***Miscellaneous***

In connection with RBC Capital Markets' services as NetScout's financial advisor, NetScout has agreed to pay RBC Capital Markets an aggregate fee of \$11 million, a portion of which was payable upon delivery of RBC Capital Markets' opinion and \$9.5 million of which is contingent upon consummation of the Mergers. NetScout

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also has agreed to reimburse RBC Capital Markets for expenses reasonably incurred in connection with RBC Capital Markets' services and to indemnify RBC Capital Markets and related persons against certain liabilities, including liabilities under the federal securities laws, arising out of RBC Capital Markets' engagement.

RBC Capital Markets and its affiliates had not provided investment banking or financial advisory services to NetScout or Danaher for which compensation was received during the two-year period prior to delivery by RBC Capital Markets of its opinion to NetScout's board of directors in connection with the Mergers. RBC Capital Markets and certain of its affiliates in the future may provide investment banking and financial advisory services to NetScout and Danaher, for which services RBC Capital Markets and such affiliates may receive compensation.

RBC Capital Markets, as part of its investment banking services, is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, corporate restructurings, underwritings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes. In the ordinary course of business, RBC Capital Markets or one or more of its affiliates may act as a market maker and broker in the publicly traded securities of NetScout, Danaher and/or any other company that may be involved in the Mergers and related transactions and receive customary compensation in connection therewith, and may also actively trade securities of NetScout, Danaher and any other company that may be involved in the Mergers and related transactions or their respective affiliates for RBC Capital Markets' or its affiliates' account and the accounts of RBC Capital Markets or its affiliates' customers and, accordingly, RBC Capital Markets and its affiliates may hold a long or short position in such securities.

RBC Capital Markets is an internationally recognized investment banking firm which is regularly engaged in providing financial advisory services in connection with mergers and acquisitions. NetScout selected RBC Capital Markets to act as its financial advisor in connection with the Mergers on the basis of RBC Capital Markets' experience in similar transactions and its reputation in the investment community.

## **Certain Financial Forecasts Prepared by NetScout**

### ***Financial Projections***

Neither NetScout nor Danaher, as a matter of course, make public any long-term projections as to future revenues, earnings or other results due to the inherent unpredictability and subjectivity of underlying assumptions and estimates. However, as part of the consideration of the Transactions, Danaher provided unaudited annual results of operations of its Communications Business in calendar year 2011, 2012 and 2013 and preliminary projections for calendar year 2014 and a revenue projection for 2015 that were then adjusted by NetScout's management to reflect \$25 million in annualized expense savings as a result of anticipated restructuring activities beginning in the fourth quarter of 2014. After delivery of its preliminary projections to NetScout for 2014, Danaher subsequently lowered its projections for the Communications Business revenue for calendar year 2014 and NetScout reduced the projected revenue of the Communications Business in 2014 by four percent, which is reflected in the projections. After delivery of its revenue projection for 2015, Danaher communicated to NetScout uncertainty about carrier capital expenditures in fiscal year 2015, which could result in a 2015 revenue forecast for the Communications Business of less than its prior forecast of \$891 million. NetScout's own 2015 revenue forecast for the Communications Business was lower than the Danaher forecast and NetScout did not believe that a further adjustment to the 2015 revenue projection was necessary. These projections are discussed further below.

NetScout's management prepared financial projections for the Communications Business, as a standalone company, for calendar years 2015 through 2019 by extrapolating results from 2013 and 2014 and making certain assumptions about revenue, potential investments required, operating margin and operating expense growth. Historically, NetScout



has publicly provided financial guidance to the investment community for the fiscal year in which it is operating as it relates to key metrics such as revenue and earnings per share, but it does not publicly offer specific long-term guidance on any such metrics. In connection with the Transactions, NetScout prepared financial projections for its existing business, assuming no business combinations or acquisitions, based on consensus Wall Street estimates for fiscal years 2015 and 2016, and by extrapolating those Wall Street estimates for fiscal years 2017 through 2020. The projections do not give pro forma effect to the combination of the Communications Business and NetScout. NetScout's future financial results and those of the Communications

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Business may materially differ from those expressed in the projections due to factors that are beyond NetScout's ability to control or predict. NetScout cannot assure you that any of these projections will be realized or that its future financial results will not materially vary from the plans and projections. **In particular, these projections should not be utilized as public guidance.**

The financial projections were not prepared with a view toward public disclosure, or with a view toward compliance with published guidelines of the SEC regarding projections, the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information, or GAAP. The NetScout prospective financial information included in this document has been prepared by, and is the responsibility, of NetScout's management. Neither NetScout's independent registered public accounting firm, nor Danaher's independent registered public accounting firm, nor any other independent accountants, have compiled, examined or performed any procedures with respect to the prospective financial information included below, or expressed any opinion or any other form of assurance with respect thereto or the achievability of the results reflected in such projections, and none of the foregoing assumes any responsibility for such projections.

NetScout stockholders are urged to review "Risk Factors" beginning on page 31 of this document for a description of risk factors relating to the combination of the Communications Business and NetScout's business and risk factors relating to the Communications Business and NetScout's most recent SEC filings for a description of risk factors with respect to NetScout's businesses. You should also read the section entitled "Cautionary Statement Concerning Forward-Looking Statements" beginning on page 38 of the document for additional information regarding the risks inherent in forward-looking information such as the financial projections.

The inclusion of projections below should not be deemed an admission or representation by NetScout, Danaher or any of their respective officers, directors, affiliates, advisors or other representatives with respect to such projections. The projections included below are not included to influence your views on the Transactions described in this document but to provide access to certain non-public information that was provided to NetScout's board of directors in connection with its evaluation of the Transactions. The financial projections were also provided to NetScout's financial advisor, RBC Capital Markets, for use in connection with its financial analyses and opinion described in the section entitled "Opinion of NetScout's Financial Advisor." The information from the projections included below should be evaluated, if at all, in conjunction with the historical financial statements and other information regarding NetScout contained in document and in NetScout's public filings with the SEC. **In light of the foregoing factors and the uncertainties inherent in its financial projections, stockholders are cautioned not to place undue, if any, reliance on these projections.**

Certain of the financial projections set forth herein, including adjusted earnings before interest, taxes, depreciation and amortization (adjusted EBITDA) and adjusted earnings before interest, taxes and amortization (adjusted EBITA), are non-GAAP measures, which means they are financial measures not presented or calculated in accordance with GAAP. Other items excluded from these non-GAAP metrics include share-based compensation, amortization of acquired intangible assets, compensation for post-combination services, and other costs that do not require a cash outlay, or are not otherwise expected to recur in the ordinary course or under the combined company's operation. Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with GAAP, and non-GAAP financial measures as used by the Communications Business or NetScout may not be comparable to similarly titled amounts used by other companies.

***Near-Term Projections: Relative Contributions***

The projections below were used by NetScout's board of directors to assess the relative contributions of NetScout and the Communications Business to the combined company to be created through the Transactions. As reflected by these

near-term projections, NetScout believes the contributions of both NetScout and the Communications Business, support Danaher's stockholders receiving approximately 59.5% percent of the equity of the combined company and NetScout's stockholders retaining approximately 40.5% percent of the equity of

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the combined company. Management believes the near-term projections are relevant as they related to analyzing the respective standalone contributions of each business at the time the Transactions were considered by NetScout's board of directors.

**Danaher Communications CY2014 and CY2015 Projections, and NetScout Systems FY2015 and FY2015 Projections**

	Danaher Communications Business Calendar Year Ended December 31,		NetScout Systems, Inc. Fiscal Year Ended March 31,	
	2014E	% of combined company	2015E <sup>1</sup>	% of combined company
Revenue	\$ 804	64%	\$ 460	36%
Adjusted EBITDA	\$ 190	58%	\$ 136	42%
Adjusted EBITA	\$ 176	59%	\$ 123	41%
Tax-Effectuated Adjusted EBITA <sup>2</sup>	\$ 112	59%	\$ 77	41%

	Danaher Communications Business Calendar Year Ended December 31,		NetScout Systems, Inc. Fiscal Year Ended March 31,	
	2015E	% of combined company	2016E <sup>1</sup>	% of combined company
Revenue	\$ 860	62%	\$ 520	38%
Adjusted EBITDA	\$ 220	58%	\$ 157	42%
Adjusted EBITA	\$ 204	59%	\$ 143	41%
Tax-Effectuated Adjusted EBITA <sup>2</sup>	\$ 129	59%	\$ 89	41%

<sup>1</sup> NetScout fiscal year 2015 and 2016 estimates reflect consensus Wall Street Estimates as of 10/10/14.

<sup>2</sup> NetScout effective tax rate of 38.0%, Danaher Communications Business effective rate of 36.6%.

Note: The sum of certain amounts may not total due to rounding.

**Long-Term Projections: Discounted Cash Flows**

Management believes the long-term projections are primarily relevant to NetScout's board of director's evaluation of the discounted cash flow analyses of the Communications Business on a standalone basis and NetScout on a standalone basis.

Both the NetScout projections for the Communications Business and NetScout as standalone businesses reflect numerous estimates and assumptions with respect to general business, economic, competitive, market and financial conditions and other future events, as well as matters specific to the respective businesses. These projections have not been updated to reflect revised prospects for its business, changes in general business, economic, regulatory, market

and financial conditions, or any other transaction or event that has occurred or that may occur and that was not anticipated at the time the projections were prepared. The projections for the Communications Business assume revenue growth of approximately 7% for all of the Communications Business for calendar years 2015 through 2019, although the Tektronix Communications, Arbor Networks and the acquired portions of Fluke Networks Enterprise business lines grow at differing rates within the period and assume that gross margin and operating expense as percentages of revenue remain relatively stable throughout the period. The NetScout projections assume overall revenue growth of approximately 10% at differing rates for fiscal years 2016 through 2020, with the assumption that non-GAAP gross margin and operating expense as percentages of revenue remain relatively stable throughout the period.

Additionally, while the long-term projections focus on the income statement results, the standalone revenue growth assumptions reflected in the financial projections for both the Communications Business and NetScout assume that both NetScout and the Communications Business would make certain investments and/or acquire technology required to successfully launch new or enhanced products, accelerate entry into adjacent market sectors, and drive further customer adoption in key geographic or vertical markets in order to drive the organic and inorganic revenue growth reflected in the assumptions. The acquisition of the Communications Business by NetScout makes those investments and technology acquisitions largely unnecessary and therefore the standalone

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projections for each company, which were prepared prior to this acquisition, are not an appropriate basis for accurate projections for the combined company.

The table below presents certain financial metrics reflected in the financial projections for the Communications Business and NetScout on a standalone basis prepared by NetScout management.

**Long-Term Projections for Danaher Communications Business and NetScout Systems****Danaher Communications Business****Projections**

(\$ in millions unless stated otherwise)

	Calendar Year Ending December 31,					Compound Annual Growth Rate <sup>2</sup>
	2015E	2016E	2017E	2018E	2019E	
Revenue	\$ 860	\$ 922	\$ 989	\$ 1,063	\$ 1,142	7%
Adjusted EBITDA	\$ 220	\$ 237	\$ 256	\$ 277	\$ 300	8%
Adjusted EBITA	\$ 204	\$ 220	\$ 238	\$ 258	\$ 279	8%
Tax-Effectuated Adjusted EBITA <sup>1</sup>	\$ 129	\$ 140	\$ 151	\$ 163	\$ 177	8%

**NetScout Systems****Projections**

(\$ in millions unless stated otherwise)

	Fiscal Year Ending March 31,					Compound Annual Growth Rate <sup>2</sup>
	2016E	2017E	2018E	2019E	2020E	
Revenue	\$ 520	\$ 577	\$ 641	\$ 705	\$ 768	10%
Adjusted EBITDA	\$ 157	\$ 175	\$ 194	\$ 213	\$ 233	10%
Adjusted EBITA	\$ 143	\$ 159	\$ 177	\$ 194	\$ 212	10%
Tax-Effectuated Adjusted EBITA <sup>1</sup>	\$ 89	\$ 99	\$ 110	\$ 120	\$ 131	10%

<sup>1</sup> NetScout effective tax rate of 38.0%, Danaher Communications Business effective rate of 36.6%.

<sup>2</sup> Defined as the average year-over-year growth rate over the four-year period.

Note: The sum of certain amounts may not total due to rounding.

As part of the long-term financial projections, NetScout's management calculated unlevered free cash flow defined as EBIT plus depreciation and amortization expense less capital expenditures and taxes, as well as net changes in working capital, for each of the Communications Business and NetScout on a standalone basis. Unlevered free cash

flow differs from the non-GAAP free cash flow that NetScout publicly discloses on a quarterly basis.

Key assumptions for the Communications Business projections included: depreciation expense of \$14 million, \$16 million, \$17 million, \$18 million, \$19 million and \$21 million in calendar years 2014 through 2019 with a terminal value of \$23 million (thereby resulting in a terminal value for adjusted EBITA and tax-effected adjusted EBITA of \$277 million and \$176 million), respectively; a consistent tax rate of 36.6%; capital expenditures of \$16 million will increase by \$1 million annually for the next four years and then increase by another \$2 million in calendar year 2019; and negative changes in working capital of \$15 million in calendar year 2014 will become positive \$14 million in calendar year 2015, decline to positive \$11 million in calendar year 2016, increase to positive \$13 million in calendar year 2017, increase to positive \$14 million in calendar year 2018 and finally increase to positive \$16 million in calendar year 2019. Accordingly, unlevered free cash flow for the Communications Business is projected as \$94 million, \$142 million, \$149 million, \$162 million, \$176 million, and \$191 million for calendar years 2014 through 2019, respectively, with a terminal value of \$192 million.

Key assumptions for the NetScout projections included: depreciation expense of \$13 million, \$14 million, \$16 million, \$17 million, \$19 million and \$21 million in fiscal years 2015 through 2020, respectively; a consistent tax rate of 38.0%; capital expenditures in fiscal year 2015 of \$14 million will increase by \$2 million annually thereafter; and that positive changes in working capital of \$14 million in fiscal year 2015 will decline to

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a positive \$8 million per year for the next three years, increase slightly to \$9 million in fiscal year 2019 and return to \$8 million thereafter. Unlevered free cash flow for NetScout is projected at \$89 million, \$95 million, \$104 million, \$116 million, \$126 million, and \$137 million for fiscal years 2015 through 2020, respectively, with a terminal value of \$138 million.

Below is a reconciliation of NetScout's projected non-GAAP adjusted EBITDA with operating income. Reconciliations of the Communications Business non-GAAP metrics to the most applicable GAAP metric were not prepared because no such reconciliation is available without unreasonable efforts.

(\$ in millions unless stated otherwise)

	Fiscal Year Ending March 31,					
	2015E	2016E	2017E	2018E	2019E	2020E
Adjusted EBITDA	\$ 136	\$ 157	\$ 175	\$ 194	\$ 213	\$ 233
Depreciation	\$ 13	\$ 14	\$ 16	\$ 17	\$ 19	\$ 21
Share-based compensation	\$ 17	\$ 20	\$ 22	\$ 26	\$ 30	\$ 34
Amortization of acquired intangible assets	\$ 7	\$ 7	\$ 6	\$ 5	\$ 4	\$ 4
Compensation for post combination services	\$ 1	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Operating Income	\$ 98	\$ 117	\$ 130	\$ 146	\$ 160	\$ 174

**Post-Acquisition Synergies***Required Investments*

As noted above, the long-term projections focus on the income statement results of each of NetScout and the Communications Business on a standalone basis and do not illustrate the capital investment required by either company to achieve these results. In order to achieve the projected revenue growth rates, each business would potentially be required to make investments to successfully launch new or enhanced products, accelerate entry into adjacent market sectors, or drive further customer adoption in key geographic or vertical markets, or all of the above. NetScout's management believes that its acquisition of the Communication Business will negate the need for NetScout to make further significant investments in order to achieve the revenue growth that was reflected in the long-term projections.

*Revenue*

NetScout management believes that the combined company will have a broader and more comprehensive portfolio of best-in-class products that roughly doubles NetScout's existing addressable market from \$4 billion to over \$8 billion. Just as important, the combined company will have stronger go-to-market capabilities via a larger direct global sales organization that will be complemented by a wider network of value-added resellers around the world. Accordingly, NetScout's management believes that the combined company will be able to achieve revenue synergies in both the service provider and enterprise markets within the first several years of combined operations. In particular, NetScout expects that in the service provider market, the combined company's offerings, together with development initiatives to innovate and integrate key features and functionality, will enable the combined company to benefit from new opportunities in its customers' mobile networks, extend its reach into the radio access portion of its mobile networks,



support potential customer initiatives around network virtualization, and drive adoption of its analytics in new departments within its customers. In the enterprise market, NetScout will be better positioned to address a wider range of its customers' technical and budgetary requirements with opportunities to cross-sell certain offerings into the combined customer base. Additionally, NetScout believes that it can use the combined enterprise customer base to accelerate sales for its cyber security solutions in this market segment. At the same time, NetScout recognizes that a transaction of this magnitude has potential to create slight net revenue dis-synergies in the first year of combined operations primarily arising from customers who may elect to defer purchases or otherwise select a solution from a different vendor, even though NetScout believes that product and customer overlap is minimal in the aggregate. Over the long term, however, NetScout management believes that the combined company will be capable of growing revenue at an approximate compounded annual growth rate of 10 percent.

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The combined company is expected to have a total non-GAAP operating cost base of more than \$900 million annually. Once the Transactions are completed, NetScout believes that there will be a number of near and longer-term synergies that will facilitate the elimination of certain costs or otherwise help NetScout limit expense growth across a range of functional areas. During the first year of combined operations, NetScout management's preliminary estimate is that NetScout will identify, remove and begin realizing run-rate cost synergies of approximately five percent of the combined cost base, or approximately \$45 to \$55 million. NetScout's initial estimates of cost synergies were based on NetScout's prior experience in integrating acquired companies and an analysis of the cost base of NetScout and the Communications Business, including materials costs. NetScout's primary focus during the first year will be to use its purchasing power and extend proven manufacturing techniques in ways that can improve product gross margins while NetScout brings together the combined company's research and development, sales and marketing, customer service and support, human resources, finance and accounting and other organizations. In addition, NetScout will also seek to consolidate facilities and eliminate unnecessary lease expense in key areas where both companies have historically operated out of separate offices. As a result, NetScout anticipates that its gross margin in the five-year period following the acquisition would improve, as a percentage of total revenue, from 75% to more than 78% of total revenue, which is in line with NetScout's current gross margins in the 78% to 80% range. Moving into the second year of combined operations, NetScout expects to achieve additional synergies by using common infrastructure platforms, and by eliminating or reducing expenses associated with programs and capabilities already in place as NetScout aligns its go-to-market and related support programs and initiatives. At the same time, NetScout will continue to focus on maintaining a scalable infrastructure and prudently managing its cost structure. Additionally, NetScout will explore opportunities to improve the overall tax efficiency of NetScout's business by taking advantage of certain operations maintained by the Communications Business in lower tax rate jurisdictions outside of North America.

NetScout believes it will be able to use its purchasing power to improve the gross margins of the Communications Business because NetScout already has lower materials costs than the Communications Business in certain instances. NetScout believes that because the Communications Business products differ from those at other Danaher operating units, the impact of Danaher's purchasing power on the Communications Business is more modest than it is with respect to other Danaher businesses, and is largely limited to corporate services such as travel, communications, insurance and information technology services. NetScout further believes that the increased size and focus of the combined company will enhance NetScout's purchasing power and that any increase in the corporate services costs of the Communications Business will be minimal and potentially offset by reductions in NetScout's corporate services costs as part of the combined company. Projected revenue synergies are based on potential new revenue opportunities in the cyber security market for NetScout utilizing Arbor Networks' sales force, new enterprise markets for both NetScout and Communications Business products, cross selling opportunities in the service provider market and NetScout leveraging the global marketing network of the Communications Business to grow its international sales.

NetScout believes that the combination of strong revenue growth, operating synergies and prudent cost control will enable NetScout to increase non-GAAP operating profit growth at a higher rate than revenue growth rate. Additionally, by taking steps to improve the combined company's overall tax efficiency and by continuing to operate with minimal capital requirements, NetScout believes that it will generate substantial free cash flow. Assuming an annual non-GAAP compounded revenue growth rate of 10 percent during the first five-year period after completing the Transactions, and taking into account the aforementioned year-one cost synergies, the potential for additional cost reductions and prudent spending, NetScout believes that the combined company will be capable of increasing its non-GAAP operating margin from NetScout's non-GAAP operating margin of approximately 25% in fiscal year 2014 by more than five percentage points within five years after completing the Transactions.



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**Danaher's Reasons for the Transactions**

As discussed in the section of this document entitled "Background of the Transactions," from time to time Danaher's board of directors and senior management have reviewed Danaher's portfolio of businesses and assets to determine whether changes might be advisable and to consider possible transactions, including possible disposition and merger opportunities, in order to maximize value for Danaher stockholders. As a result of that process, Danaher's board determined that the separation and distribution of the Communications Business and the merger of the Communications Business with NetScout would be the best way to realize the full value of the Communications Business and enable Danaher to focus on its remaining businesses in accordance with its corporate strategy.

In reaching its decision to approve the Merger Agreement, the Distribution Agreement and the Transactions, Danaher's board of directors considered the following material factors in supporting its decision:

the value creation expected to result from combining the Communications Business with NetScout, and the ability of Danaher stockholders to own approximately 59.5% of NetScout on a fully-diluted basis after giving effect to the Transactions and participate in the future upside of the combined company;

the complementary nature of the product and service offerings of the Communications Business and those of NetScout, the combination of which is expected to enhance the offerings of both companies to customers and solidify the position of the combined company as a premier, global communications and data solutions provider;

the resources of the Communications Business outside of the United States, and the opportunities that such resources will present for NetScout's operations to expand to other markets as a result of the Transactions;

the expectation that the Separation, the Distribution and the Mergers generally would result in a tax-efficient disposition of the Communications Business for Danaher and Danaher's stockholders, while a sale of the Communications Business for cash generally would result in a taxable disposition for Danaher;

NetScout's business prospects and expected synergies after giving effect to the proposed acquisition of the Communications Business;

the reports of Danaher's senior management regarding their due diligence review of NetScout's business; and

the review by the board of directors of the structure and terms of the Merger Agreement, the Distribution Agreement and the Transactions, including the parties' representations, warranties and covenants, the conditions to their respective obligations and the termination provisions, as well as the likelihood of consummation of the Transactions and the board's evaluation of the likely time period necessary to close the Transactions.

The fourth and seventh bullets above are considered to be benefits to Danaher while the first, second, third, fifth and sixth bullets above are considered to be benefits to Danaher stockholders who are being offered the opportunity to receive shares of NetScout common stock upon completion of the Distribution and thereby participate in the future upside potential of the combined company.

In the course of its deliberations, the Danaher board of directors considered the following material risks and negative factors in supporting its decision:

the risk that all conditions to the parties' obligations to complete the Transactions will not be satisfied or waived, which while not expected could cause the Transactions to not be completed;

because the consideration to be received by Danaher's stockholders in the Transactions consists of a fixed number of shares of NetScout common stock, the value of the NetScout common stock to be

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received in the Mergers could fluctuate, perhaps significantly, based on a variety of factors including general stock market conditions and the performance of NetScout's business;

risks relating to integrating the Communications Business with NetScout's current operations, including the potential loss of key employees, and the potential effects on the value of the NetScout common stock to be received in the mergers;

the risk that the Transactions do not qualify as tax-free transactions under Sections 355 or 368 of the Code, which could result in the stockholders of Danaher having significant tax liability;

the risks relating to the combined company maintaining and renewing relationships with pre-existing customers, channel partners, suppliers and other third-parties of both the Communications Business and NetScout, which relationships may be affected by customer, channel partner, supplier or third-party preferences or public attitudes about the Transactions;

the effect of divesting the Communications Business pursuant to the Transactions on Danaher's future earnings per share and cash flows from operating activities; and

risks of the type and nature described under the section of this document entitled "Risk Factors."

Danaher's board of directors considered all of these factors as a whole and, on balance, concluded that they supported a favorable determination to approve the Merger Agreement, the Distribution Agreement and the Transactions. The foregoing discussion of the information and factors considered by the board of directors of Danaher is not exhaustive. In view of the wide variety of factors considered by the board in connection with its evaluation of the Transactions and the complexity of these matters, the board did not consider it practical to, nor did it attempt to, quantify, rank or otherwise assign relative weights to the specific factors that it considered in reaching its decision. The board evaluated the factors described above, among others, and reached a consensus to approve the Merger Agreement, the Distribution Agreement and the Transactions. In considering the factors described above and any other factors, individual members of the board may have viewed factors differently or given different weight or merit to different factors.

### **Ownership of NetScout Following the Transactions**

Immediately after the First Merger, Danaher stockholders will collectively own approximately 59.5% of NetScout common stock on a fully-diluted basis and NetScout stockholders will collectively own approximately 40.5% of NetScout common stock on a fully-diluted basis (subject to adjustment in limited circumstances as provided in the Merger Agreement). Based on the composition of the current significant stockholder bases of each of NetScout and Danaher, NetScout does not expect that there will be any individual holder of more than 5% of the outstanding common stock of NetScout immediately following the closing of the Mergers.

### **Board of Directors and Management of NetScout Following the Transactions**

Directors of NetScout serving on its board of directors immediately before the effective time of the First Merger are expected to continue to serve as directors of NetScout immediately following the closing of the Mergers. In addition,

as of immediately following the effective time of the First Merger, NetScout will increase the size of its board of directors by one member, and one individual selected by Danaher (which individual is currently anticipated by NetScout and Danaher to be James A. Lico, Danaher's Executive Vice President) will be appointed to fill the vacancy and will, subject to the fiduciary duties of NetScout's board of directors, be nominated for re-election at the expiration of such director's initial term. However, if Danaher's designated director: (i) is unwilling or unable to serve at the effective time of the First Merger; (ii) is unwilling or unable to serve when such new term starts; or (iii) is not nominated to serve such new term, then Danaher will designate a replacement, acceptable to NetScout in its sole discretion, for such director before the effective time of the First Merger or the start of such new term, as applicable.

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**Table of Contents****Interests of Certain Persons in the Transactions**

As of [ ], 2015, Danaher's directors and executive officers owned approximately [ ]% of the outstanding shares of Danaher's common stock and, as of such date, NetScout's directors and executive officers owned approximately [ ]% of the outstanding shares of NetScout common stock. None of NetScout's or Newco's executive officers will receive any severance or other compensation as a result of the Transactions. The directors and officers of Danaher, Newco and NetScout will receive no extra or special benefit that is not shared on a pro rata basis by all other Newco common unit holders and NetScout stockholders in connection with the Transactions. As with all holders of shares of Danaher common stock, if a director or officer of Danaher, Newco or NetScout owns shares of Danaher common stock, directly or indirectly, such person may participate in the Distribution on the same terms as other holders of shares of Danaher common stock. As of [ ], 2015, Danaher owned approximately [ ]% of the outstanding shares of NetScout common stock.

In connection with the execution of the Merger Agreement, Steven M. Rales, Chairman of the Board of Directors of Danaher, and Mitchell P. Rales, Chairman of the Executive Committee of Danaher, delivered separate letters to NetScout, in which they each agreed that if the Distribution was structured as an exchange offer, they would not exchange more than the number of shares of Danaher common stock in an exchange offer for Newco common units that would result (after taking into consideration any Newco common units distributed in a pro-rata spin off to Danaher stockholders in the event the exchange offer is not fully subscribed) in his receiving more than 5% of the issued and outstanding shares of NetScout common stock after giving effect to the closing under the Merger Agreement.

**Material U.S. Federal Income Tax Consequences of the Transactions**

This section describes the material U.S. federal income tax consequences of the Transactions. This section is based on the Code, the Treasury regulations promulgated under the Code, and interpretations of such authorities by the courts and the IRS, all as they exist as of the date of this proxy statement and all of which are subject to change, possibly with retroactive effect. The discussion assumes that the Separation, the Distribution and the Mergers will be consummated in accordance with the Transaction Agreements and as further described in this proxy statement.

This section is limited to holders of NetScout common stock that are U.S. holders, as defined below, that hold their shares of NetScout common stock as a capital asset within the meaning of Section 1221 of the Code. Further, this section does not discuss all tax considerations that may be relevant to holders of NetScout common stock in light of their particular circumstances, nor does it address the consequences to holders of NetScout common stock subject to special treatment under the U.S. federal income tax laws, such as tax-exempt entities, partnerships (including entities treated as partnerships for U.S. federal income tax purposes), persons who acquire their shares of NetScout common stock pursuant to the exercise of employee stock options or otherwise as compensation, financial institutions, insurance companies, dealers or traders in securities, and persons who hold their shares of NetScout common stock as part of a straddle, hedge, conversion, constructive sale, synthetic security, integrated investment or other risk-reduction transaction for U.S. federal income tax purposes. This section does not address any U.S. federal estate, gift or other non-income tax consequences or any state, local or foreign tax consequences, or the consequences of the Medicare tax on net investment income. **Holders of NetScout common stock should consult their tax advisors as to the particular tax consequences to them of the Transactions.**

For purposes of this section, a U.S. holder is a beneficial owner of NetScout common stock that is, for U.S. federal income tax purposes:



an individual who is a citizen or a resident of the United States;

a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, created or organized under the laws of the United States or any state or political subdivision thereof;

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an estate, the income of which is subject to United States federal income taxation regardless of its source; or

a trust, if (i) a court within the United States is able to exercise primary jurisdiction over its administration and one or more U.S. persons have the authority to control all of its substantial decisions, or (ii) in the case of a trust that was in existence on August 20, 1996 and treated as a domestic trust under the law in effect prior to that time, a valid election is in place under applicable Treasury regulations.

If a partnership (including any entity treated as a partnership for U.S. federal income tax purposes) holds shares of NetScout common stock, the tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. A partner of a partnership holding shares of NetScout common stock should consult its tax advisor regarding the tax consequences of the Transactions.

**Treatment of the Distribution**

Because NetScout stockholders will not participate in the Distribution, NetScout stockholders generally will not recognize gain or loss upon the Distribution. **NetScout stockholders should consult their own tax advisors regarding the tax consequences to them of the Distribution.**

The consummation of the Distribution is conditioned upon the receipt by Danaher of an opinion from Skadden to the effect that, among other things, the Distribution will qualify as tax-free to Danaher and holders of Danaher common stock who participate in the Distribution for U.S. federal income tax purposes under Sections 355 and 368(a)(1)(D) of the Code. Danaher also intends to seek a ruling from the IRS regarding certain issues relevant to the qualification of the Distribution and certain other aspects of the Separation for tax-free treatment for U.S. federal income tax purposes.

Although the IRS ruling, if received, will generally be binding on the IRS, the continuing validity of such ruling will be subject to the accuracy of factual representations and assumptions made in the ruling request. Also, as part of the IRS general policy with respect to rulings on spin-off and split-off transactions (including the Distribution), the IRS will not rule on the overall qualification of the transaction for tax-free treatment, but instead only on certain significant issues related thereto. As a result of this IRS policy, Danaher will obtain the opinion of counsel described above. The opinion will be based upon various factual representations and assumptions, as well as certain undertakings made by Danaher and Newco. If any of those factual representations or assumptions are untrue or incomplete in any material respect, any undertaking is not complied with, or the facts upon which the opinion will be based are materially different from the facts at the time of the Distribution, the Distribution may not qualify for tax-free treatment. Opinions of counsel are not binding on the IRS. As a result, the conclusions expressed in the opinion of counsel could be challenged by the IRS, and if the IRS prevails in such challenge, the Distribution may not qualify for tax-free treatment.

The Distribution and certain aspects of the Separation could be taxable to Danaher if Newco, its unit holders, NetScout or NetScout's stockholders were to engage in a Disqualifying Action. In such cases, under the Tax Matters Agreement, Newco and NetScout will be required to indemnify Danaher against any taxes resulting from the Distribution or certain aspects of the Separation that arise as a result of a Disqualifying Action. If Danaher were to recognize gain on the Distribution or certain aspects of the Separation for reasons not related to a Disqualifying Action by Newco or NetScout, Danaher would not be entitled to be indemnified under the Tax Matters Agreement. If Newco or NetScout were required to indemnify Danaher as a result of the Distribution or certain aspects of the Separation being taxable, this indemnification obligation would likely be substantial and could have a material adverse effect on NetScout, including with respect to its financial condition and results of operations.



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### **Treatment of the Mergers**

NetScout will not recognize any gain or loss for U.S. federal income tax purposes as a result of the Mergers. Because NetScout stockholders will not participate in the Mergers, NetScout stockholders generally will not recognize gain or loss upon the Mergers. **NetScout stockholders should consult their own tax advisors regarding the tax consequences to them of the Mergers.**

The consummation of the Mergers is conditioned upon the receipt by Danaher of an opinion from Skadden to the effect that, among other things, the Mergers will qualify as a tax-free reorganization within the meaning of Section 368(a) of the Code. The opinion will be based upon various factual representations and assumptions, as well as certain undertakings made by Danaher and Newco. If any of those factual representations or assumptions are untrue or incomplete in any material respect, any undertaking is not complied with, or the facts upon which the opinion will be based are materially different from the facts at the time of the Mergers, the Mergers may not qualify for tax-free treatment. Opinions of counsel are not binding on the IRS. As a result, the conclusions expressed in the opinion of counsel could be challenged by the IRS, and if the IRS prevails in such challenge, the Mergers may not qualify for tax-free treatment.

THE FOREGOING IS A SUMMARY OF THE MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE DISTRIBUTION AND THE MERGERS UNDER CURRENT LAW AND FOR GENERAL INFORMATION ONLY. THE FOREGOING DOES NOT PURPORT TO ADDRESS ALL U.S. FEDERAL INCOME TAX CONSEQUENCES OR TAX CONSEQUENCES THAT MAY ARISE UNDER THE TAX LAWS OR THAT MAY APPLY TO PARTICULAR CATEGORIES OF SHAREHOLDERS. EACH NETSCOUT STOCKHOLDER SHOULD CONSULT HIS, HER OR ITS OWN TAX ADVISOR AS TO THE PARTICULAR TAX CONSEQUENCES OF THE DISTRIBUTION AND THE MERGERS TO SUCH SHAREHOLDER, INCLUDING THE APPLICATION OF U.S. FEDERAL, STATE, LOCAL AND FOREIGN TAX LAWS, AND THE EFFECT OF POSSIBLE CHANGES IN TAX LAWS THAT MAY AFFECT THE TAX CONSEQUENCES DESCRIBED ABOVE.

### **Accounting Treatment and Considerations**

ASC 805, Business Combinations, requires the use of the acquisition method of accounting for business combinations. In applying the acquisition method, it is necessary to identify both the accounting acquiree and the accounting acquiror. In a business combination effected through an exchange of equity interests, such as the Mergers, the entity that issues the interests (NetScout in this case) is generally the acquiring entity. In identifying the acquiring entity in a combination effected through an exchange of equity interests, however, all pertinent facts and circumstances must be considered, including the following:

The relative voting interests of significant shareholders and the ability of any of those shareholders to exercise control over the consolidated entity after the Transactions. In this case, it was determined that the shareholder bases of both entities are dispersed such that no single shareholder or group of related shareholders would control the entity after the Transactions.

The composition of the governing body of NetScout after the Transactions. In this case, the board of directors of NetScout immediately following the Mergers is expected to consist of the members of the board of directors of NetScout immediately prior to the consummation of the Mergers. In addition, as of the

consummation of the Mergers, NetScout will increase the size of its board of directors by one member, and one individual selected by Danaher (which individual is currently anticipated by NetScout and Danaher to be James A. Lico, Danaher's Executive Vice President) will be appointed to fill the vacancy and will, subject to the fiduciary duties of NetScout's board of directors, be nominated for re-election at the expiration of such director's initial term.

The composition of the senior management of NetScout after the Transactions. In this case, NetScout's executive officers following the Mergers are expected to consist of NetScout's executive officers immediately prior to the Mergers.

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NetScout's management has determined that NetScout will be the accounting acquiror in the Mergers based on the facts and circumstances outlined above and the detailed analysis of the relevant GAAP guidance. Consequently, NetScout will apply acquisition accounting to the assets acquired and liabilities assumed of Newco upon consummation of the Mergers. Upon consummation of the Mergers, the historical financial statements will reflect only the operations and financial condition of NetScout.

## **Regulatory Approvals**

Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the HSR Act), and the rules promulgated under the HSR Act by the Federal Trade Commission, the parties must file notification and report forms with the U.S. Federal Trade Commission and the Antitrust Division of the U.S. Department of Justice and observe specified waiting period requirements before consummating the Mergers. NetScout and Danaher each filed the requisite notification and report forms with the Federal Trade Commission and the Antitrust Division on October 24, 2014. NetScout withdrew its filing on November 24, 2014, and refiled on November 26, 2014.

On December 24, 2014, NetScout received a second request from the U.S. Department of Justice. The effect of the second request is to extend the waiting period imposed by the HSR Act until 30 days after both NetScout and Danaher have substantially complied with the request, unless that period is extended voluntarily by the parties or terminated sooner by the U.S. Department of Justice.

## **Federal Securities Law Consequences; Resale Restrictions**

NetScout common stock issued in the Mergers will not be subject to any restrictions on transfer arising under the Securities Act, except for shares issued to any Danaher stockholder who may be deemed to be an affiliate of Newco for purposes of Rule 145 under the Securities Act.

In connection with the Distribution, Danaher may be deemed to be an underwriter within the meaning of Section 2(a)(11) of the Securities Act.

## **No Appraisal or Dissenters' Rights**

None of NetScout, Merger Sub, Merger Sub II, Danaher or Newco stockholders will be entitled to exercise appraisal rights or to demand payment for their shares in connection with the Transactions.

## **NASDAQ Listing**

NetScout common stock is currently listed on NASDAQ under the symbol NTCT. In the Merger Agreement, NetScout agreed to cause to be filed with the SEC a registration statement on Form S-4 in connection with the issuance of NetScout common stock pursuant to the First Merger. After the Mergers, shares of NetScout common stock will continue to trade on NASDAQ under the same symbol NTCT.

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**THE MERGER AGREEMENT**

*The following is a summary of the material provisions of the Merger Agreement, which summary is qualified in its entirety by the Merger Agreement, a copy of which is attached as Annex A to this document. Stockholders of NetScout are urged to read the Merger Agreement in its entirety. This summary of the Merger Agreement has been included to provide NetScout stockholders with information regarding its terms. The rights and obligations of the parties are governed by the express terms and conditions of the Merger Agreement and not by this summary or any other information included in this document. This summary of the Merger Agreement is not intended to provide any other factual information about NetScout, Merger Sub, Merger Sub II, Danaher or Newco following the consummation of the Mergers. Information about NetScout, Merger Sub, Merger Sub II, Danaher or Newco can be found elsewhere in this document and in the documents incorporated by reference into this document. See also *Where You Can Find More Information: Incorporation by Reference*.*

**The Mergers**

Under the Merger Agreement and in accordance with the DGCL and the DLLCA, at the effective time of the First Merger, Merger Sub will merge with and into Newco. As a result of the First Merger, the separate corporate existence of Merger Sub will cease and Newco will continue as the surviving company and as a wholly-owned subsidiary of NetScout and will succeed to and assume all the rights, powers and privileges and be subject to all of the obligations of Merger Sub in accordance with the DGCL and the DLLCA. The certificate of formation and limited liability company operating agreement of Newco in effect immediately prior to the First Merger will be amended and restated in their entirety following the consummation of the Merger. Immediately following the First Merger, Newco (as the surviving entity of the First Merger) will merge with and into Merger Sub II. As a result of the Second Merger, the separate corporate existence of Newco will cease and Merger Sub II will continue as the surviving company and as a wholly-owned subsidiary of NetScout and will succeed to and assume all the rights, powers and privileges and be subject to all of the obligations of Newco in accordance with the DLLCA.

**Closing; Effective Time**

Under the terms of the Merger Agreement, the closing of the Mergers will take place at 10:00 a.m., Eastern Time, no later than the second business day after the date on which the conditions precedent to the Mergers are satisfied or waived (other than those to be satisfied at the closing of the Mergers), unless otherwise agreed upon by NetScout and Danaher.

Under the terms of the Distribution Agreement, the date of the Distribution will be selected by Danaher's board of directors or its designees. The closing of the Separation will occur at 12:01 a.m. Eastern Time on the date of the Distribution. See also *Description of the Separation and Distribution Agreement*.

At the closing of the First Merger, NetScout and Danaher will cause to be filed a certificate of merger with the Secretary of State of the State of Delaware to effect the First Merger. The First Merger will become effective at the time of filing of such certificate of merger or at such later time as NetScout and Danaher may agree and provide in the certificate of merger. Immediately after the effective time of the First Merger, NetScout will cause to be filed a certificate of merger with the Secretary of State of the State of Delaware to effect the Second Merger. The Second Merger will become effective at the time of filing of such certificate of merger or at such later time as NetScout and Danaher may agree and provide in the certificate of merger.

**Merger Consideration**

The Merger Agreement provides that, at the effective time of the First Merger, each issued and outstanding Newco common unit (except Newco common units held by Danaher, NetScout or any of their respective subsidiaries or by Newco in its treasury) will be automatically converted into a number of shares of NetScout



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common stock equal to (x) 62.5 million shares of NetScout common stock plus the product of (A) 1.46 multiplied by (B) the number of shares of NetScout common stock issued in any acquisition by NetScout prior to the effective time of the First Merger divided by (y) the aggregate number of Newco common units issued and outstanding immediately prior to the effective time of the First Merger. The calculation of the merger consideration as set forth in the Merger Agreement is expected to result, prior to the elimination of fractional shares, in Newco's members immediately prior to the Merger collectively holding approximately 59.5% of the outstanding equity interests of NetScout on a fully-diluted basis immediately following the First Merger and NetScout's stockholders immediately prior to the First Merger collectively holding approximately 40.5% of such equity interests on a fully-diluted basis.

No fractional shares of NetScout common stock will be issued pursuant to the First Merger. Any holder of Newco common units who would otherwise be entitled to receive a fraction of a share of NetScout common stock (after aggregating all fractional shares issuable to such holder) shall, in lieu of such fraction of a share, be paid in cash the dollar amount (rounded to the nearest whole cent), after deducting any required withholding taxes, on a pro rata basis, without interest, determined by multiplying such fraction by the closing price of a share of NetScout common stock on NASDAQ on the last business day prior to the closing of the First Merger.

**Exchange of Newco Common Units**

Prior to the effective time of the First Merger, NetScout will issue and cause to be deposited with the exchange agent non-certificated shares of NetScout common stock represented by book entry authorizations for the benefit of the Danaher stockholders who received Newco common units in the Distribution and for distribution in the First Merger upon conversion of the Newco common units.

At the effective time of the First Merger, all issued and outstanding Newco common units will be converted into the right to receive shares of NetScout common stock as described above under Merger Consideration. Upon receipt of a duly executed letter of transmittal and other customary documents, the exchange agent will distribute the shares of NetScout common stock to each person who was entitled to receive Newco common units in the Distribution. Each person entitled to receive Newco common units in the Distribution will be entitled to receive in respect of such Newco common units a certificate or book-entry authorization representing the number of whole shares of NetScout common stock that such holder has the right to receive pursuant to the First Merger (and cash in lieu of fractional shares of NetScout common stock as described above under Merger Consideration ) (and any dividends or other distributions and other amounts as described below under Distributions With Respect to Shares of NetScout Common Stock After the Effective Time of the First Merger ).

**Distribution With Respect to Shares of NetScout Common Stock After the Effective Time of the First Merger**

No dividend or other distributions declared or made after the effective time of the First Merger with respect to NetScout common stock with a record date after the effective time of the First Merger will be paid with respect to any shares of NetScout common stock unless such holder exchanges such Newco common unit in accordance with the Merger Agreement. NetScout is required under the Merger Agreement to deposit all such amounts with the exchange agent.

**Termination of the Distribution Fund**

Any portion of the amounts deposited with the exchange agent under the Merger Agreement that remains undistributed to the former members of Newco on the one-year anniversary of the effective time of the First Merger will be delivered to NetScout upon demand, and any former members of Newco who have not received shares of NetScout common stock as described above may thereafter look only to NetScout for payment of their claim for

NetScout common stock and any dividends, distributions or cash in lieu of fractional shares with respect to NetScout common stock (subject to any applicable abandoned property, escheat or similar law).

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### **Conversion of Shares in the Second Merger**

Immediately after the effective time of the First Merger, both Newco (as the surviving entity in the First Merger) and Merger Sub II will be wholly-owned subsidiaries of NetScout. At the effective time of the Second Merger, each limited liability company interest of Newco outstanding immediately prior to the effective time of the Second Merger shall be canceled and shall cease to exist and no consideration shall be delivered in exchange therefor and each limited liability company interest in Merger Sub II outstanding immediately prior to the effective time of the Second Merger shall remain unchanged and continue to remain outstanding as a limited liability company interest in Merger Sub II. At the effective time of the Second Merger, NetScout will continue as the sole member of Merger Sub II (the surviving entity of the Second Merger) and Merger Sub II shall continue without dissolution.

### **Adjustment Amount**

Under the Merger Agreement, promptly following the delivery of the Audited Financial Statements, Danaher was required to deliver to NetScout a statement setting forth a calculation of the Operating Profit derived from the audited financial statements of the Communications Business for the year ended December 31, 2013 included in the Audited Financial Statements. In the event that the Operating Profit was less than the amount set forth on the schedules to the Merger Agreement, then Danaher shall pay to NetScout an amount in cash equal to the product of (x) such shortfall multiplied by (y) 13.1; provided, however, that in no event shall such payment exceed \$150 million. Because the Operating Profit reflected in the Audited Financial Statements exceeded the amount specified in the Merger Agreement, there was no payment required.

### **Post-Closing NetScout Board of Directors and Officers**

The Merger Agreement provides that the NetScout board of directors will take all actions necessary such that, effective as of the effective time of the First Merger, one person selected by Danaher and approved by NetScout will be elected to the NetScout board of directors. In accordance with the Merger Agreement, this individual will also, subject to the fiduciary duties of NetScout's board of directors, be nominated for re-election to the board of directors of NetScout at NetScout's 2015 annual meeting of stockholders.

Additionally, the executive officers of NetScout immediately prior to the consummation of the First Merger are expected to be the executive officers of NetScout immediately following the consummation of the Mergers.

### **Stockholders Meeting**

Under the terms of the Merger Agreement, NetScout is required to call a meeting of its stockholders for the purpose of voting upon the issuance of shares of NetScout's common stock in the Mergers and related matters as promptly as practicable following the date on which the SEC has cleared the NetScout proxy statement and, if required by the SEC as a condition to the mailing of the NetScout proxy statement, the registration statement of NetScout has been declared effective. NetScout will ask its stockholders to vote on this matter at the special meeting of NetScout stockholders by delivering the NetScout proxy statement to its stockholders in accordance with applicable law and its organizational documents. NetScout is required to call such a stockholders meeting for the purpose of voting upon the issuance of shares of NetScout common stock in the Mergers and related matters unless the Merger Agreement is terminated, regardless of whether the board of directors of NetScout has made a Change in Recommendation (as defined below).

### **Representations and Warranties**

In the Merger Agreement, each of NetScout and the Merger Subs has made representations and warranties to Danaher and Newco, and each of Danaher and Newco has made representations and warranties to NetScout and Merger Subs. These representations and warranties relate to, among other things:

due organization, good standing and qualification;

corporate governance documents;

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capital structure;

financial statements and absence of undisclosed liabilities;

absence of certain changes or events;

title to and sufficiency of assets;

interests in real property;

intellectual property and privacy matters;

material contracts;

compliance with applicable laws and regulatory matters, including compliance with anticorruption, export control and sanctions laws;

governmental authorizations

tax matters;

labor and employee benefit matters and compliance with the Employee Retirement Income Security Act of 1974;

environmental matters;

insurance matters;

absence of investigations or litigation;

authority to enter into the Merger Agreement (and the other Transaction Documents);

no conflicts with or violations of governance documents, other obligations or laws;

formation of the Merger Subs solely for the purpose of engaging in the Mergers, the Distribution and other Transactions;

payment of fees to brokers or finders in connection with the Merger Agreement and the other Transaction Documents; and

the absence of any other representations.

NetScout and Merger Subs have also made representations and warranties to Danaher and Newco relating to NetScout's SEC filings, NetScout and its affiliates not constituting interested stockholders with respect to Danaher for purposes of the anti-takeover restrictions of Section 203 of the DGCL, the vote required by NetScout's stockholders to consummate the transactions contemplated by the Merger Agreement and the other Transaction Documents, that the shares of NetScout common stock to be issued pursuant to the First Merger have been duly authorized and will be validly issued and not subject to any restriction on resale, other than those imposed by Rules 144 and 145 under the Securities Act.

Danaher and Newco also made representations and warranties to NetScout and the Merger Subs relating to Danaher and its affiliates not constituting interested stockholders with respect to NetScout for purposes of the anti-takeover restrictions of Section 203 of the DGCL, and that the only stockholder vote required in connection with consummation of the transactions contemplated by the Merger Agreement and the other Transaction Documents is by Danaher, in its capacity as sole member of Newco prior to the Distribution. Danaher's and Newco's representations and warranties are generally limited to Newco and its subsidiaries and the Communications Business.

Many of the representations and warranties contained in the Merger Agreement are subject to a Material Adverse Effect standard, materiality qualifications, knowledge qualifications, or a combination of the foregoing,

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and, except as set forth in Article IV of the Distribution Agreement, none of the representations and warranties survive the closing of the Mergers. The Merger Agreement does not contain any post-closing indemnification obligations with respect to these matters; provided, however pursuant to the Distribution Agreement, certain of Danaher's and Newco's representations in the Merger Agreement related to title to and sufficiency of the Newco Assets and the Newco IP survive for a period of 12 months after the effective time of the First Merger.

Under the Merger Agreement, a Material Adverse Effect means, with respect to Newco or NetScout, as applicable, any effect, change, claim, event or circumstance that, considered with all other effects, changes, claims, events or circumstances either (a) would prevent or materially impair such party from complying with its obligations under the Merger Agreement or from consummating the transactions contemplated by the Merger Agreement and the other Transaction Documents or (b) is or would reasonably be expected to be or to become materially adverse to, or has or would reasonably be expected to have or result in a material adverse effect on the business, financial condition or results of operations of such party and its subsidiaries taken as a whole. However, with respect to clause (b), any change, development, event, occurrence, effect or state of facts arising out of or resulting from any of the following will not be deemed either to constitute, or be taken into account in determining whether there is, a material adverse effect:

conditions generally affecting the industry in which NetScout or Newco, as the case may be, competes or the U.S. or global economy as a whole, to the extent that such conditions do not have a disproportionate impact on NetScout and its subsidiaries (the NetScout Companies) or Newco and its subsidiaries after giving effect to the transactions and transfer of assets and liabilities as set forth in the Distribution Agreement (the Newco Companies), as the case may be, taken as a whole, relative to other companies in the industry in which such companies operate;

general conditions in the financial markets, and any changes therein (including any changes arising out of acts of terrorism, war, weather conditions or other force majeure events), to the extent that such conditions do not have a disproportionate impact on NetScout Companies or the Newco Companies, as the case may be, taken as a whole, relative to other companies in the industry in which the NetScout Companies or the Newco Companies, as the case may be, operate;

changes in the trading price or trading volume of NetScout common stock or Danaher common stock, as the case may be (it being understood, however, that, generally any effect, change, claim, event or circumstance giving rise to or contributing to such changes in the trading price or trading volume of NetScout common stock or Danaher common stock, as the case may be, may give rise to a Material Adverse Effect and may be taken into account in determining whether a Material Adverse Effect has occurred);

changes in GAAP (or any interpretations of GAAP) or laws applicable to NetScout Companies or Newco Companies, as the case may be, to the extent that such conditions do not have a disproportionate impact on NetScout Companies or Newco Companies, as the case may be, taken as a whole, relative to other companies in the industry in which the NetScout Companies or the Newco Companies, as the case may be, operate;

the failure to meet public estimates or forecasts of revenues, earnings of other financial metrics, in and of itself, or the failure to meet internal projections, forecasts or budgets of revenues, earnings or other financial metrics, in and of itself (it being understood, however, that, generally, any effect, change, claim, event or circumstance giving rise to or contributing to any such failure may give rise to a Material Adverse Effect and may be taken into account in determining whether a Material Adverse Effect has occurred);

any stockholder or derivative litigation arising from or relating to the Merger Agreement or the transactions contemplated by the Merger Agreement or the other Transaction Documents;

effects, changes, claims, events or circumstances resulting directly from the announcement or pendency of the Merger Agreement or the transactions contemplated by the Merger Agreement or the



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other Transaction Documents, including loss of employees, suppliers or customers (including changes in customer bidding procedures or testing or award or scope of survey and/or loss of customer orders or contracts) and any related decrease in sales volume of NetScout Products or Newco Products, as the case may be; or

any items disclosed by such party in their respective disclosure letter delivered pursuant to the Merger Agreement.

### **Conduct of Business Pending Closing**

Each of the parties has undertaken to perform customary covenants in the Merger Agreement that place restrictions on it and its subsidiaries until the effective time of the Merger. In general, each of NetScout and Danaher (generally, to the extent of the Communications Business only) agrees that prior to the effective time of the First Merger, except to the extent required by law, consented to by the other party (which consent may not be unreasonably withheld, conditioned or delayed), disclosed in their respective disclosure letters, or otherwise expressly permitted or contemplated by the Merger Agreement and the other Transaction Documents, it will use its commercially reasonable efforts to ensure that the conduct its business and operations in the ordinary course in all material respects; and will use its commercially reasonable efforts to preserve intact the material components of its current business organization, and maintain its relations and goodwill in all material respects with all material suppliers, material customers, material licensors, and governmental bodies.

In addition, NetScout has agreed that prior to the effective time of the First Merger, except to the extent required by law, disclosed in its disclosure letter, consented to by Danaher (which consent may not be unreasonably withheld, conditioned or delayed) or otherwise expressly permitted or contemplated by the Merger Agreement and the other Transaction Documents, it will not take the following actions:

declare, accrue, set aside or pay any dividend or make any other distribution in respect of any shares of capital stock or other securities, or repurchase, redeem or otherwise reacquire any shares of capital stock or other securities, other than: (A) dividends or distributions between or among any of the NetScout Companies to the extent consistent with past practices; (B) pursuant to NetScout's right to purchase restricted shares of NetScout common stock held by an employee of, or other service provider to, NetScout upon termination of such individual's employment or service or upon the cashless or net exercise of outstanding NetScout stock options or to satisfy withholding obligations upon vesting or exercise of equity awards or (C) pursuant to NetScout's stock repurchase programs to the extent consistent with past practices;

sell, issue, grant, authorize the sale, issuance or grant of, or publicly announce its intention to sell, issue, or grant: (A) any capital stock or other security; (B) any option, call, warrant or right to acquire any capital stock or other security; or (C) any instrument convertible into or exchangeable for any capital stock or other security (except that NetScout may: (1) issue shares of NetScout common stock pursuant to acquisitions, as described below; (2) issue shares of NetScout common stock: (a) upon the valid exercise of NetScout stock options or upon the vesting of any NetScout restricted stock units, in each case outstanding as of October 12, 2014; and (b) pursuant to NetScout's employee stock purchase plan); and (3) in the ordinary course of business and consistent with past practices, grant equity awards under the NetScout's equity incentive plans; provided that such equity awards may not exceed 1,000,000 shares of NetScout common stock in the aggregate under such equity plans);

amend or permit the adoption of any amendment to its certificate of incorporation or bylaws or other charter or organizational documents in any event to the extent reasonably likely to adversely affect the transactions contemplated by the Merger Agreement or the other Transaction Documents;

make any capital expenditure outside the ordinary course of business (except that the NetScout Companies may make any capital expenditure that: (A) is provided for in NetScout's capital expense budget delivered to Danaher prior to October 12, 2014; or (B) when added to all other capital

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expenditures made on behalf of all of the NetScout Companies since October 12, 2014 but not provided for in NetScout's capital expense budget delivered to Danaher prior October 12, 2014, does not exceed \$5,000,000 in the aggregate);

acquire any equity interest or other interest in any other entity or acquire, lease or license any right or other asset from any other person or sell or otherwise dispose of, or lease or license, any right or other asset to any other person (except in each case for: (A) assets acquired, leased, licensed or disposed of by NetScout in the ordinary course of business; (B) assets that are immaterial to the business of the NetScout Companies; (C) sales of inventory or other assets in the ordinary course of business; or (D) acquisitions (1) for consideration that does not exceed \$50,000,000 in the aggregate or (2) for equity consideration that do not exceed 450,000 shares of NetScout common stock in the aggregate (provided, however, that the fair value of any such equity consideration shall also be counted for purposes of measuring whether the amounts in clause (1) have been exceeded);

establish, adopt, enter into or amend any employee plan or employee agreement, pay any bonus or make any profit-sharing or similar payment to, pay any severance, retention or change-of-control or similar benefits, or increase the compensation payable to, any employees (except that NetScout (A) may take any such actions to the extent required by applicable law or the terms of any employee plan or employee agreement as in effect as of October 12, 2014; (B) may make grants of NetScout equity awards as set forth above; (C) may increase the compensation of employees in the ordinary course of business consistent with past practice; (D) may make bonus payments and profit sharing payments to employees in the ordinary course of business consistent with past practice; (E) may enter into compensation arrangements with any prospective employees in the ordinary course of business consistent with past practice; and (F) may increase the amount of compensation payable in connection with the promotion of any employee in the ordinary course of business consistent with past practice);

make any pledge of any of its material assets or permit any of its material assets to become subject to any encumbrances, in each case other than in the ordinary course of business, other than pursuant to the Debt Financing;

lend money to any person (other than routine travel and business expense advances made to directors or employees in the ordinary course of business), or, except in the ordinary course of business and consistent with past practices, incur or guarantee any indebtedness in excess of \$5,000,000 in the aggregate (other than the Debt Financing);

other than in the ordinary course of business and consistent with past practices or as required by concurrent changes in GAAP or SEC rules and regulations, change any of its methods of accounting or accounting practices in any respect;

except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect with respect to NetScout, settle any legal proceeding or other material claim;

take any action that would reasonably be expected to cause the Mergers to fail to qualify as a reorganization under Section 368(a) of the Code; or

agree or commit to take any of the foregoing actions.

In addition, Danaher (to the extent of the Communications Business) has agreed that prior to the effective time of the First Merger, except to the extent required by law, disclosed in its disclosure letter, consented to by NetScout (which consent may not be unreasonably withheld, conditioned or delayed) or otherwise expressly permitted or contemplated by the Merger Agreement or the other Transaction Documents, it will not take the following actions:

sell, issue, grant, authorize the sale, issuance or grant of, or publicly announce its intention to sell, issue, or grant: (A) any capital stock or other security to any Newco Employee; (B) any option, call, warrant or right to acquire any capital stock or other security to any Newco Employee; or (C) any

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instrument convertible into or exchangeable for any capital stock or other security to any Newco Employee, in each case, which would constitute Danaher Equity Awards (except that: (1) Danaher may issue shares of Danaher common stock upon the valid exercise of options exercisable for Danaher common stock or upon the vesting of any Danaher restricted stock units, in each case outstanding as of October 12, 2014 or granted in accordance with clause (2); and (2) Danaher may (x) make grants of Danaher Equity Awards to Newco Employees in November 2014 as previously disclosed to NetScout, (y) make grants of Danaher Equity Awards of up to 100,000 additional shares of Danaher common stock to Newco Employees and (z) make grants to Newco Employees in respect of a number of shares of Danaher common stock underlying Danaher Equity Awards that, on or after October 12, 2014, are either forfeited without a delivery of Danaher common stock, tendered as payment for the exercise of an option exercisable for Danaher common stock or withheld from delivery to satisfy applicable taxes in respect of the Danaher Equity Award; provided that if the closing of the Mergers has not occurred by August 4, 2015, Danaher may continue to make ordinary course grants of Danaher Equity Awards to Newco Employees irrespective of the limitations set forth herein;

with respect to any Danaher Equity Awards, except as otherwise required by the terms of any employee plan or employee agreement or as otherwise permitted above, (A) amend or waive any of its rights under, or accelerate the vesting under, any provision of any of the Danaher Stock Plans, (B) amend any provision of any agreement evidencing any outstanding stock option, restricted stock grant, or any restricted stock unit purchase agreement, or (C) otherwise modify any of the terms of any outstanding option, restricted stock agreement, restricted stock unit, warrant or other security or any related contract

amend or permit the adoption of any amendment to the certificate of incorporation, bylaws, certificate of formation, limited liability company operating agreement, or other charter or organizational documents of Newco or any of its subsidiaries;

with respect to the Communications Business, make or commit to make any capital expenditure outside the ordinary course of business (except that Newco and its subsidiaries may make any capital expenditure that: (A) is provided for in such entity's capital expense budget delivered to NetScout prior to October 12, 2014; or (B) when added to all other capital expenditures made on behalf of Newco and its subsidiaries since October 12, 2014 but not provided for in the capital expense budgets of such entities delivered to NetScout prior to October 12, 2014, does not exceed \$5,000,000 in the aggregate per calendar quarter);

other than in the ordinary course of business, amend, terminate, or waive any material right or remedy under, any material contract or any other contract that is material to Newco and its subsidiaries (taken as a whole), other than termination thereof upon the expiration of any such contract in accordance with its terms or upon a material breach thereof by the counterparty thereto

establish, adopt, enter into or amend any employee plan or employee agreement of which any Newco Employee is a beneficiary or a party, pay any bonus or make any profit-sharing or similar payment to, pay any severance, retention or change-of-control or similar benefits, or increase the compensation payable to,

any Newco Employees (except that Danaher (A) may take any such actions to the extent either contemplated by the Employee Matters Agreement or as required by applicable law or the terms of any employee plan or employee agreement as in effect as of October 12, 2014; (B) may make grants of Danaher Equity Awards as set forth above; (C) may amend applicable employee plans in a manner that either applies to all employees of Danaher in the applicable jurisdiction generally or would not reasonably be expected to result in material liability to NetScout; (D) may make bonus payments and profit sharing payments to Newco Employees in the ordinary course of business consistent with past practice; (E) may enter into compensation arrangements with any prospective Newco Employee in the ordinary course of business consistent with past practice; and (F) may increase the amount of compensation payable in connection with the promotion of any Newco Employee in the ordinary course of business consistent with past practice);

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with respect to the Communications Business, acquire any equity interest or other interest in any other entity or acquire, lease or license any right or other asset from any other person or sell or otherwise dispose of, or lease or license, any right or other asset to any other person (except in each case for: (A) assets acquired, leased, licensed or disposed of by Newco and its subsidiaries in the ordinary course of business; (B) assets that are immaterial to the business of Newco and its subsidiaries; (C) sales of inventory or other assets in the ordinary course of business; or (D) acquisitions for cash consideration that do not exceed \$50,000,000 in the aggregate);

make any pledge of any of the Newco Assets or permit any of the Newco Assets to become subject to any encumbrances, other than permitted encumbrances;

with respect to Newco and its subsidiaries, lend money to any person (other than (i) routine travel and business expense advances made to directors or employees in the ordinary course of business, or (ii) loans to Danaher or any of its subsidiaries), or incur or guarantee any indebtedness in excess of \$5,000,000 in the aggregate;

with respect to Newco and its subsidiaries or the Communications Business, other than (A) in the ordinary course of business and consistent with past practices, (B) changes made by Danaher with respect to both the Communications Business and one or more of its other businesses or (C) as required by concurrent changes in GAAP or SEC rules and regulations, change any of its methods of accounting or accounting practices in any respect;

with respect to Newco and its subsidiaries or the Communications Business, except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect with respect to the Newco Companies, settle any legal proceeding or other material claim;

take any action that would reasonably be expected to cause the Mergers to fail to qualify as a reorganization under Section 368(a) of the Code; or

agree or commit to do any of the foregoing actions.

**SEC Filings**

The parties agreed to prepare appropriate documents, including this document, a registration statement on Form S-4 of NetScout, and a registration statement on Form S-4 and S-1 (or such other appropriate registration form or forms to be designated by Danaher) of Newco and to file them with the SEC, and NetScout and Newco, as the case may be, have agreed to use their reasonable best efforts to have these documents cleared by the SEC and have their respective registration statements declared effective by the SEC as promptly as reasonably practicable after such filings or at such other time as Danaher, Newco and NetScout may agree.

NetScout is required under the terms of the Merger Agreement to mail this document to its stockholders as promptly as practicable after the SEC clears this document and, if required by the SEC, the registration statements described above are declared effective.

If Danaher elects to complete the Distribution by way of an exchange offer, NetScout, Danaher and Newco are required under the terms of the Merger Agreement to prepare, and Danaher is obligated to file with the SEC, a Schedule TO as promptly as practicable after the date on which the registration statement with respect to the Separation and the Distribution is declared effective and to the extent such filing is required by applicable law.

### **Regulatory Matters**

The Merger Agreement provides that each party to the Merger Agreement will use reasonable best efforts to take or cause to be taken all actions necessary or advisable to consummate the Mergers as soon as practicable, including to prepare and file all filings (if any) and give all notices (if any) required to be made and given by such party in connection with the Mergers and the other transactions contemplated by the Merger Agreement and



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the other Transaction Documents; (ii) obtain each third party consent (if any) required to be obtained (pursuant to any applicable law or contract, or otherwise) by such party in connection with the Mergers or any of the other transactions contemplated by the Merger Agreement and the other Transaction Documents (including NetScout providing a guarantee of Newco's obligations reasonably necessary to obtain such consents); and (iii) lift any restraint, injunction or other legal bar to the Mergers. Each party to the Merger Agreement has also agreed to file all notices, reports and other documents required to be filed by such party with any governmental body with respect to the Mergers and to submit promptly any additional information requested by any such governmental body. NetScout and Danaher have agreed to prepare and file (x) the notifications required under the HSR Act and (y) any applicable mandatory foreign competition act filings in connection with the Mergers. NetScout and Danaher each shall use its reasonable best efforts to cause the expiration or early termination of any waiting period under the HSR Act, and NetScout and Danaher shall each (i) cooperate with the other party in connection with any filing or submission and in connection with any investigation or other inquiry, including any proceeding initiated by a private party, (ii) promptly supply the other party with any information which may be required in order to effectuate notices, reports, documents or other filings with any governmental body required to be made pursuant to the HSR Act and any applicable mandatory foreign competition act filings (the Antitrust Filings); and (iii) promptly supply any additional information which reasonably may be required by any governmental body in connection with Antitrust Filings or which the parties may reasonably deem appropriate.

Notwithstanding the foregoing, neither NetScout, Danaher, Merger Subs nor Newco shall have any obligation under the Merger Agreement (except as specifically set forth in the Merger Agreement or any other Transaction Document) to divest or agree to divest (or cause any of its subsidiaries to divest or agree to divest) any of its respective material businesses, material product lines or material assets, or to take or agree to take (or cause any of its subsidiaries to take or agree to take) any other material action or agree (or cause any of its subsidiaries to agree) to any material limitation or material restriction on any of its respective material businesses, material product lines or material assets, except as would not, or as would not reasonably be expected to, involve the divestiture of assets that generated in the aggregate more than 10% of the combined gross revenues of Newco and its subsidiaries (after giving effect to the Separation) and the NetScout Companies for the 12 months ending June 27, 2014 (it being understood that no such action shall be considered for purposes of determining whether a Material Adverse Effect has occurred or is reasonably likely to occur and the parties shall not be required to take any of the foregoing actions in this paragraph unless the effectiveness of such action is conditioned on the closing of the Mergers). Notwithstanding the foregoing, no such divestiture of assets may occur if such divestiture would constitute a Disqualifying Action (as defined in the Tax Matters Agreement).

**No Solicitation**

The Merger Agreement contains detailed provisions restricting NetScout's or Danaher's ability to seek an alternative transaction. With respect to Danaher, this restriction is only with respect to Newco and its subsidiaries, the Communications Business and the Newco Assets. Under these provisions, NetScout and Danaher have each agreed that it and its subsidiaries will not, and it will use reasonable best efforts to cause its and its subsidiaries' officers, directors, employees, agents and representatives not to:

solicit, initiate, knowingly encourage or knowingly facilitate the making, submission or announcement of any acquisition proposal or acquisition inquiry;

furnish any information regarding any of the NetScout Companies, on the one hand, or the Communications Business, Newco Assets or the Newco Companies, on the other hand, as applicable, to any person in connection with or in response to an acquisition proposal or acquisition inquiry;

except in limited circumstances, approve, endorse or recommend, or propose publicly to approve, endorse or recommend, an acquisition proposal;

engage in discussions or negotiations with any person relating to any acquisition proposal or acquisition inquiry;

approve, endorse or recommend any acquisition proposal or acquisition inquiry; or

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enter into any letter of intent or similar document or any contract contemplating or otherwise relating to any acquisition transaction or acquisition inquiry.

The Merger Agreement provides that the term "acquisition proposal" means any offer or proposal relating to:

any merger, exchange, consolidation, business combination, issuance of securities, acquisition of securities, reorganization, recapitalization, takeover offer, tender offer, exchange offer or other similar transaction: (i) in which such entity or any of its subsidiaries is a constituent corporation and which would result in a third party, or the stockholders of that third party, beneficially owning 15% or more of any class of equity or voting securities of such entity or any of its subsidiaries, or the entity resulting from such transaction or the parent of such entity; (ii) in which a person or group of persons directly or indirectly acquires beneficial or record ownership of securities representing more than 15% of the outstanding securities of any class of voting securities of such entity or any of its subsidiaries; or (iii) in which such entity or any of its subsidiaries issues securities representing more than 15% of the outstanding securities of any class of voting securities of such entity or any of its subsidiaries;

any sale, lease, exchange, transfer, exclusive license, acquisition or disposition of any business or businesses or assets of such entity or its subsidiaries that constitute or account for 15% or more of the consolidated net revenues, or consolidated net income for the 12 full months immediately prior to the receipt of the related acquisition proposal or 15% or more of the fair market value of the consolidated assets of such entity or any of its subsidiaries; or

any liquidation or dissolution of such entity or any of its subsidiaries.

Notwithstanding the foregoing:

nothing in the Merger Agreement shall preclude Danaher from entering into any agreement providing for, or in connection with, any acquisition proposal with respect to Danaher, its subsidiaries, assets or businesses (other than the Communications Business, the Newco Assets, Newco or any of its subsidiaries) so long as such agreement provides for the acquisition by a third party, directly or indirectly, of outstanding shares of Danaher common stock or assets of one or more other businesses of Danaher, does not contemplate the termination of the Merger Agreement and would not prevent or materially impair Danaher from complying with its obligations under the Merger Agreement or from consummating the transactions contemplated by the Merger Agreement and the other Transaction Documents; and

prior to the vote of NetScout stockholders to approve the issuance of shares of NetScout common stock in the First Merger, NetScout may furnish information regarding NetScout and its subsidiaries or engage in discussions and negotiations with any person in response to a bona fide acquisition proposal (i) that did not result from a breach of the restrictions described in this section entitled "No Solicitation," (ii) if the NetScout board of directors concludes in good faith, after consultation with its financial advisor and outside legal counsel that such acquisition proposal is or is reasonably expected to result in a superior proposal, (iii) the NetScout board of directors concludes in good faith, after consultation with outside legal counsel that failure to take such action would reasonably constitute a breach of fiduciary duties of the NetScout board of

directors, (iv) NetScout receives an executed confidentiality agreement from such third party that contains provisions that are at least as favorable to NetScout as the provisions of the confidentiality agreement between NetScout and Danaher, (v) NetScout provides Danaher written notice of the identity of the person making the acquisition proposal and (vi) NetScout makes such information available to Danaher prior to or substantially at the same time it is provided to such person.

The Merger Agreement provides that the term *superior proposal* means an unsolicited bona fide written offer by a third party to purchase at least a majority of the outstanding shares of NetScout common stock or at

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least a majority of the assets of NetScout (whether through a tender offer, merger or otherwise), that is determined by the NetScout board of directors, in its good faith judgment, after consulting with its financial advisor and outside legal counsel, and after taking into account the terms and conditions of the offer, including the likelihood and anticipated timing of consummation, (i) to be more favorable, from a financial point of view, to NetScout's stockholders than transactions contemplated by the Merger Agreement, (ii) is reasonably likely to be completed, taking into account any financing and approval requirements that the NetScout board of directors determines to be relevant and all other financial, legal, regulatory and other aspects of such proposal that the NetScout board of directors determines to be relevant, and (iii) for which financing, if a cash transaction (in whole or part), is then fully committed.

The Merger Agreement provides that NetScout and Danaher will each promptly, and in any event within 24 hours after receipt, notify the other party of the receipt of an acquisition proposal and provide to the other party copies of any written materials evidencing such proposal, and shall keep the other party reasonably informed of the status and material terms and conditions of any such acquisition proposal.

## **Board Recommendation**

NetScout has agreed in the Merger Agreement that it and its board of directors will:

recommend that NetScout's stockholders vote in favor of the issuance of shares of NetScout common stock pursuant to the First Merger at the NetScout stockholder meeting;

include a statement in the proxy statement to the effect that the NetScout board of directors recommends that NetScout's stockholders vote to approve the issuance of shares of NetScout common stock pursuant to the First Merger (the Board Recommendation); and

except as specifically described below, not directly or indirectly withdraw or modify (or propose to by withdrawn or modified) the Board Recommendation in a manner adverse to Danaher (a Change in Recommendation).

Notwithstanding the foregoing, the NetScout board of directors, at any time prior to obtaining stockholder approval of the issuance of shares of NetScout common stock in the First Merger, may effect a Change in Recommendation under the following circumstances:

if: (A) NetScout has not materially breached its obligations described above under the heading -No Solicitation; (B) after October 12, 2014, an unsolicited acquisition proposal is made to NetScout and is not withdrawn; (C) the NetScout board of directors determines in its good faith judgment, after consulting with its financial advisor and outside legal counsel, that such acquisition proposal constitutes a NetScout Superior Offer; (D) the NetScout board of directors does not effect, or cause NetScout to effect, a Change in Recommendation at any time within 4 business days (together with any subsequent shorter period as contemplated by clause (E) below, the Notice Period) after Danaher receives (x) written notice from NetScout that the NetScout board of directors has determined that such acquisition proposal is a NetScout Superior Offer and (y) a summary of the material terms and conditions of such acquisition proposal and other information required to be provided pursuant to the Merger Agreement (provided, a new notice shall be

required with respect to each material modification to such offer (it being understood that any change in the purchase price or form of consideration in such offer shall be deemed a material modification) and a new Notice Period (of 3 business days) shall begin); (E) during the applicable Notice Period, if requested by Danaher, NetScout engages in good faith negotiations, and directs its financial advisors and outside legal advisors to, engage in good faith negotiations, with Danaher to amend the Merger Agreement in such a manner that the competing acquisition proposal does not constitute a NetScout Superior Offer; (F) at the end of the applicable Notice Period, such acquisition proposal has not been withdrawn and constitutes a NetScout Superior Offer (taking into account any changes to the terms of this Agreement proposed by Danaher as a result of the negotiations required by clause (E) or otherwise); and (G) the NetScout board of directors

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determines in good faith, after having consulted with its outside legal counsel, that, in light of such Superior Offer, a failure to make a Change in Recommendation would be reasonably likely to constitute a breach of the fiduciary duties of the NetScout board of directors to NetScout stockholders under applicable law; or

if other than in connection with or as a result of the making of an acquisition proposal or an acquisition inquiry with respect to NetScout, a material development or change in circumstances that was not known or reasonably foreseeable to the NetScout board of directors on October 12, 2014 occurs or arises after October 12, 2014, which material development or change in circumstances becomes known to the NetScout board of directors prior to the approval of the issuance of shares of NetScout common stock pursuant to the First Merger by the NetScout stockholders (such material development or change in circumstances being referred to as an Intervening Event (it being understood that that in no event shall (i) any action taken by NetScout or Danaher pursuant to and in compliance with its obligations under the Merger Agreement related to the Antitrust Filings, and the consequences of any such action or (ii) the receipt, existence of or terms of an acquisition proposal with respect to NetScout or the consequences thereof constitute an Intervening Event); (A) the NetScout board of directors determines in its good faith judgment, after consulting with its financial advisor and outside legal counsel that an Intervening Event has occurred; (B) the NetScout board of directors does not effect, or cause NetScout to effect, a Change in Recommendation at any time within 4 business days after Danaher receives written notice from NetScout that the NetScout board of directors has determined that an Intervening Event requires the NetScout board of directors to effect, or cause NetScout to effect, a Change in Recommendation (provided, a new notice shall be required with respect to any change in circumstances and a new notice period of 3 business days shall begin); (C) during such applicable period, if requested by Danaher, NetScout engages in good faith negotiations, and directs its financial advisors and outside legal advisors to, engage in good faith negotiations, with Danaher to amend this Agreement in such a manner that obviates the need for the NetScout board of directors to effect, or cause NetScout to effect, a Change in Recommendation as a result of such Intervening Event; and (D) the NetScout board of directors determines in good faith, after having consulted with its outside legal counsel, that, in light of such Intervening Event, a failure to make a Change in Recommendation would be reasonably likely to constitute a breach of the fiduciary duties of the NetScout board of directors to NetScout's stockholders under applicable law.

The Merger Agreement provides that NetScout is not prohibited from taking and disclosing to its stockholders a position required by Rule 14e-2(a) or Rule 14d-9 promulgated under the Exchange Act and no disclosure that the NetScout board of directors may determine in good faith (after consultation with outside counsel) that it or NetScout is required to make under applicable law will constitute a violation of the Merger Agreement. A stop, look and listen or similar communication of the type contemplated by Rule 14d-9(f) of the Exchange Act shall not be deemed a Change in Recommendation if the NetScout board of directors expressly reaffirms the Board Recommendation within 5 business days of the public announcement of any applicable acquisition proposal.

**Covenant Not to Compete**

Danaher has agreed that, for two years after the date of the effective time of the First Merger, it and its subsidiaries will not engage in any of the businesses in which the Communications Business is engaged in as of the effective date of the First Merger (the Restricted Business) anywhere throughout the world without the prior written consent of NetScout. Notwithstanding the foregoing:

Danaher and its subsidiaries will not be prohibited from engaging in the business conducted by Danaher or its subsidiaries (excluding the Communications Business) on the effective date of the First Merger;

Danaher and its subsidiaries will not be prohibited from owning a non-controlling interest in a joint venture or non-consolidated entity that engages in the Restricted Business;



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Danaher may acquire interests in or securities of any person engaged in the restricted business where the revenues of such person that are derived from the Restricted Business are either (i) 35% or less of such person's total revenues or (ii) less than \$50 million annually;

if Danaher completes a business combination with another entity that is engaged in the Restricted Business, which results in the Danaher stockholders immediately prior to such transaction owning less than 50% of the stock of the surviving entity, the surviving entity or any of its subsidiaries or affiliates (but not Danaher or any of its subsidiaries) may engage in the Restricted Business;

Danaher and its subsidiaries are not prohibited from owning 10% or less of the capital stock of any publicly traded entity engaged in the Restricted Business;

Danaher may acquire interests in or securities of any entity as an investment by its pension funds or funds of any other benefit plan of Danaher, whether or not such entity is engaged in the Restricted Business; and

Danaher may perform its obligations under the Merger Agreement and the other Transaction Documents.

### **Non-Solicitation of Employees**

Danaher and NetScout each agree that, except as specifically set forth below, for a period of 3 years from and after the closing of the Mergers (the Non-Solicit Period), they will not, and they will cause their respective subsidiaries not to, directly or indirectly, solicit to hire, or solicit to enter into a consulting agreement with, (a) for the first year of the Non-Solicit Period, any employee or category of employee and (b) for the second and third year of the Non-Solicit Period, any executive officer or senior manager, in each case, of the other party or the other party's subsidiaries. The foregoing restrictions shall not apply to (i) general solicitations (such as advertisements) for employment placed by a party or any party's subsidiary and not specifically targeted at the other party's employees, (ii) responding to or hiring any employee of the other party who contacts a party without any prior solicitation or (iii) the solicitation or hiring of (or entering into a consulting agreement with) any employee of the other party who is contacted by a recruitment agency (provided that such party and its representatives did not identify any employees of the other party to such recruitment agency or otherwise instruct such agency to target any employees of the other party).

### **Certain Other Covenants and Agreements**

The Merger Agreement contains certain other covenants and agreements, including covenants (with certain exceptions specified in the Merger Agreement) relating to:

audited financial statements for the Communications Business that Danaher is required to provide to NetScout as soon as reasonably practicable after October 12, 2014 and prior to November 15, 2014, unaudited financial statements for interim periods not covered by such audited financial statements and financial statements that Danaher is required to provide after the end of the applicable fiscal period;

any press release or public announcement relating to the transactions contemplated by the Merger Agreement and the other Transaction Documents;

the participation in and defense of any litigation that may arise with respect to the transactions contemplated by the Merger Agreement and the other Transaction Documents, in connection with which neither Danaher or NetScout will enter into any settlement without the other party's prior written consent (which consent shall not be unreasonably withheld, conditioned or delayed);

the obligation of Danaher to use reasonable best efforts to cause the delivery of the Tax Opinion from its outside counsel and NetScout's obligation to cause Merger Sub II to be treated as a disregarded entity for U.S. federal tax purposes;

access to each other's officers, employees, accountants, properties and records;

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NetScout's obligation to use best efforts to cause the shares of NetScout common stock to be issued pursuant to the First Merger to be approved for listing on NASDAQ at or prior to the effective time of the First Merger;

Danaher's and Newco's obligation to use commercially reasonable efforts to cooperate with NetScout (at NetScout's sole expense) in connection with the arrangement of any debt financing prior to the effective time of the First Merger;

steps required to be taken to cause any disposition of Newco common units or acquisitions of NetScout common stock resulting from the transactions contemplated by the Merger Agreement or the other Transaction Documents by each individual who is subject to the reporting requirements of Section 16 of the Exchange Act with respect to NetScout or Newco to be exempt under Rule 16b-3 promulgated under the Exchange Act; and

NetScout's obligation to take any actions necessary (except to the extent reasonably expected to result in material liability to NetScout) to ensure that the transactions contemplated by the Merger Agreement will not (1) constitute a change in control or other triggering event under any NetScout benefit plan or arrangement or otherwise result in any payment, acceleration, vesting, increase in benefits, etc. with respect to any current or former officer or other employee, or any individual who is a current or former independent contractor, consultant or director or (2) result in any payment or benefit to such person that would reasonably be expected to be a parachute payment within the meaning of Section 280G(b)(2) of the Code.

**Conditions to the Merger**

The obligations of NetScout, Danaher, the Merger Subs and Newco to consummate the First Merger are subject to the satisfaction of the following conditions:

the effectiveness of the registration statement of NetScout and the registration statement of Newco and the absence of any stop order or proceedings seeking a stop order with respect thereto;

the approval by NetScout stockholders of the issuance of shares of NetScout's common stock in the First Merger;

the consummation of the Separation and the Distribution in accordance with the Distribution Agreement, and the execution and delivery of the Transaction Documents by all parties;

the expiration or termination of any applicable waiting period under the HSR Act;

the approval for listing on NASDAQ of the shares of NetScout common stock to be issued pursuant to the First Merger; and

the absence of court orders or orders of other governmental authorities, absence governmental legal proceedings and the absence of any applicable law preventing the consummation of the Mergers. The conditions listed above are referred to herein as the Joint Conditions to the Merger.

Danaher's and Newco's obligation to effect the First Merger is subject to the satisfaction or waiver of the following conditions:

certain representations and warranties of NetScout and Merger Sub relating to capitalization, power and enforceability of the Merger Agreement, the vote required and financial advisors must be accurate in all material respects, as of October 12, 2014 and as of the closing date of the First Merger (or on an earlier specified date);

other representations and warranties of NetScout and Merger Sub must be accurate as of October 12, 2014 and as of the closing date of the First Merger (or on an earlier specified date), subject to a qualification for inaccuracies that individually or in the aggregate do not constitute and would not reasonably be expected to have or result in a Material Adverse Effect with respect to NetScout;

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the performance or compliance in all material respects by NetScout and the Merger Subs of all obligations and covenants required to be performed or complied with at or prior to the effective time of the First Merger;

since October 12, 2014, with respect to NetScout and its subsidiaries, no Material Adverse Effect shall have occurred and no event shall have occurred or circumstance exist that would reasonably be expected to have or result in a Material Adverse Effect;

the receipt by Danaher of a certificate, dated as of the effective time of the First Merger, of the chief executive officer of NetScout certifying the satisfaction by NetScout of the conditions described in the preceding three bullet points plus the satisfaction of the Joint Conditions to the Merger regarding approval by NetScout stockholders of the issuance of NetScout common stock pursuant to the First Merger;

the receipt by Danaher and Newco of the Tax Opinion from Danaher's tax counsel;

the receipt by Danaher of the IRS ruling, which IRS ruling is still in effect; provided, that this condition shall be deemed satisfied or waived on June 30, 2015; and

appointment of Danaher's designee to the NetScout board of directors.

The conditions listed above are referred to herein as the Additional Conditions to the Merger for Danaher's Benefit.

NetScout's and Merger Subs obligation to effect the First Merger is subject to the satisfaction or waiver of the following conditions:

certain representations and warranties of Danaher and Newco relating to capitalization, power and enforceability of the Merger Agreement, the vote required and financial advisors must be accurate in all material respects, as of October 12, 2014 and as of the closing date of the First Merger (or on an earlier specified date);

other representations and warranties of Danaher and Newco must be accurate as of October 12, 2014 and as of the closing date of the First Merger (or on an earlier specified date), subject to a qualification for inaccuracies that individually or in the aggregate do not constitute and would not reasonably be expected to have or result in a Material Adverse Effect with respect to the Newco Companies;

the performance or compliance in all material respects by Danaher and Newco of all obligations and covenants required to be performed or complied with at or prior to the effective time of the First Merger;

since October 12, 2014, with respect to Newco and its subsidiaries, no Material Adverse Effect shall have occurred and no event shall have occurred or circumstance exist that would reasonably be expected to have

or result in a Material Adverse Effect;

the receipt by NetScout of a certificate, dated as of the effective time of the First Merger, of the chief executive officer of Danaher certifying the satisfaction by Danaher of the conditions described in the preceding three bullet points plus the satisfaction of the Joint Conditions to the Merger regarding the consummation of the Separation and the Distribution in accordance with the Distribution Agreement, and the execution and delivery of the Transaction Documents by all parties; and

delivery by Danaher of a statement described in Section 1.1445-2(c)(3)(i) of the U.S. Treasury Regulations certifying that the interests of Newco are not U.S. real property interests.

The conditions listed above are referred to herein as the Additional Conditions to the Merger for NetScout's Benefit.

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**Termination**

The Merger Agreement may be terminated at any time prior to the consummation of the First Merger by the mutual written consent of Danaher and NetScout. Also, subject to specified qualifications and exceptions, either Danaher or NetScout may terminate the Merger Agreement at any time prior to the consummation of the First Merger if:

the First Merger has not been consummated by October 12, 2015;

any governmental entity has issued a final, nonappealable order, or shall have taken any other action, having the effect of permanently prohibiting the Mergers; or

NetScout's stockholders failed to approve the issuance of shares of NetScout's common stock in the First Merger at the NetScout special meeting (including any adjournment or postponement of the NetScout special meeting).

In addition, subject to specified qualifications and exceptions, Danaher may terminate the Merger Agreement if:

NetScout has breached or failed to perform in any material respect any of its representations, warranties, covenants or other agreements contained in the Merger Agreement, which breach or failure to perform (1) would result in a failure of an Additional Condition to the Merger for Danaher's Benefit and (2) cannot be cured by October 12, 2015; or

(a) the NetScout board of directors shall have failed to recommend that NetScout's stockholders vote to approve the issuance of shares of NetScout Common Stock pursuant to the First Merger, or shall have withdrawn or modified in a manner adverse to Danaher the Board Recommendation, (b) NetScout shall have failed to include in the NetScout proxy statement the Board Recommendation, (c) NetScout shall have failed to publicly recommend against any publicly announced acquisition proposal, and reaffirm the Board Recommendation in connection therewith, within ten (10) business days of the request of Danaher, (d) the NetScout board of directors shall have approved, endorsed or recommended any acquisition proposal, (e) NetScout shall have entered into any letter of intent or similar document or any contract relating to any acquisition proposal; or (f) NetScout shall have breached in any material respect the provisions described above under the heading "No Solicitation" (in each case, a "Triggering Event"); provided that such termination must occur within the first 20 business days after NetScout has confirmed to Danaher that a Triggering Event has occurred.

In addition, subject to specified qualifications and exceptions, NetScout may terminate the Merger Agreement if:

either Danaher or Newco has breached or failed to perform in any material respect any of its representations, warranties, covenants or other agreements contained in the Merger Agreement, which breach or failure to perform (1) would result in a failure of an Additional Condition to the Merger for NetScout's Benefit and (2) cannot be cured by October 12, 2015; or

on or after June 30, 2015, all of the conditions described in Conditions to the Merger above have been satisfied or waived or are capable of being satisfied at the closing of the Mergers) other than (a) the Joint Conditions to the Merger regarding the consummation of the Separation and the Distribution in accordance with the Distribution Agreement, and the execution and delivery of the Transaction Documents by all parties (solely because the Tax Opinion has not yet been received) and (b) receipt of the Tax Opinion by Danaher; provided that NetScout must provide 14 calendar days prior written notice of its intent to terminate the Merger Agreement for this reason, during which period, Danaher may satisfy or waive the receipt of the Tax Opinion as an Additional Condition to the Merger for Danaher's Benefit.

If the Merger Agreement is terminated, the Merger Agreement will be of no further force or effect, except as described below in the section of this document entitled Termination Fee Payable in Certain Circumstances, and



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the termination of the Merger Agreement will not relieve any party from any liability for any willful and material breach of any representation, warranty, covenant, obligation or other provision contained in the Merger Agreement.

### **Termination Fee Payable in Certain Circumstances**

The Merger Agreement provides that, upon termination of the Merger Agreement under specified circumstances, a termination fee of \$55 million may be payable by NetScout to Danaher. The circumstances under which such termination fee may be payable include:

if the Merger Agreement is terminated by Danaher within 20 business days after notification by NetScout of a Triggering Event;

if the Merger Agreement is terminated by (x) either Danaher or NetScout because the First Merger has not been consummated by October 12, 2015 or (y) by Danaher because NetScout has breached or failed to perform in any material respect any of its representations, warranties, covenants or other agreements contained in the Merger Agreement and (A) after October 12, 2014 but before such termination, an acquisition proposal shall have been made to NetScout and (B) within 9 months after such termination NetScout reaches a definitive agreement to consummate or consummates such acquisition proposal; or

if the Merger Agreement is terminated by NetScout or Danaher because NetScout's stockholders failed to approve the issuance of shares of NetScout's common stock in the First Merger at the NetScout special meeting (including any adjournment or postponement of the NetScout special meeting) and (A) after October 12, 2014 but before such termination, an acquisition proposal shall have been made to NetScout and (B) within 9 months after such termination NetScout reaches a definitive agreement to consummate or consummates such acquisition proposal.

### **Expenses**

The Merger Agreement provides that, except as described immediately above, each party will pay its own fees and expenses in connection with the Merger Agreement, the Mergers and the other transactions contemplated by the Merger Agreement and the other Transaction Documents, except Danaher and NetScout shall share equally all printing costs and all filing fees paid pursuant to the HSR Act and appropriate filings, if required, with foreign regulatory authorities.

In addition, any fees and expenses incurred in connection with seeking third-party consents will be paid as set forth in the Distribution Agreement. NetScout will be responsible for all out-of-pocket costs, third party fees and expenses related to any debt financing it enters into prior to the effective time of the First Merger. All liabilities incurred by Newco and its subsidiaries in connection with the Mergers and the other transactions contemplated by the Transaction Documents are deemed to be liabilities of Danaher.

### **Specific Performance**

The parties agree that irreparable damage would occur and that the parties would not have any adequate remedy at law in the event that any of the provisions of the Merger Agreement were not performed in accordance with their specific terms or were otherwise breached. As a result, the parties have agreed that each of them will be entitled to specific

performance and injunctive or other equitable relief to prevent breaches of the Merger Agreement and to enforce specifically the terms and provisions of the Merger Agreement, in addition to any other remedy to which they are entitled at law or in equity.

### **Amendments**

The Merger Agreement may be amended by the parties at any time before or after the stockholders of NetScout approve the issuance of the shares of NetScout common stock in the First Merger, but after such approval, no amendment which by law or under the rules of NASDAQ requires further stockholder approval may be made to the Merger Agreement without obtaining such further approval. All amendments to the Merger Agreement must be in writing and signed by each party.

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**THE DISTRIBUTION AGREEMENT**

*The following is a summary of the material provisions of the Distribution Agreement. This summary is qualified in its entirety by the Distribution Agreement, a copy of which is attached as Annex B to this document. The rights and obligations of the parties are governed by the express terms and conditions of the Distribution Agreement and not by this summary or any other information included in this document. You are urged to read the Distribution Agreement carefully and in its entirety. Such information can be found elsewhere in this document. See also *Where You Can Find More Information; Incorporation By Reference*.*

**The Separation**

*Transfer of Assets*

Subject to the terms and conditions of the Distribution Agreement, Danaher will assign, transfer, convey and deliver to Newco or one or more subsidiaries of Newco, all of Danaher's and any applicable subsidiary of Danaher's, right, title and interest in the assets of the Communications Business, which are referred to herein as the Communications Assets, including with certain exceptions:

leases to certain premises and all rights and interests of Danaher or any subsidiary of Danaher under such leases;

the issued and outstanding capital stock of, or other equity interests in, the subsidiaries of Danaher that will be owned (directly or indirectly) by Newco immediately prior to the Separation Time, which are referred to herein as the Newco Subs;

the office equipment (including personal computers and mobile devices), furnishings and other tangible assets and all the machinery, equipment, tools and vehicles, in each case, as used, or held for use, primarily in the operation of the Communications Business;

the permits granted to Danaher or any subsidiary of Danaher that are used, or held for use, primarily in the Communications Business (including any pending applications for such permits);

rights to causes of action, lawsuits, judgments, claims, counterclaims and demands of Danaher, its affiliates, Newco or any Newco Sub that relate primarily to the Communications Business, a Communications Asset or a Communications Liability (as defined below);

inventories of materials, parts, raw materials, packaging materials, supplies, works-in-process, goods in transit, finished goods and products that are used, or held for use, primarily in the Communications Business;

Newco and Newco Subs intellectual property rights, including (x) the right to recover damages for any infringement of such intellectual property and to register, prosecute, maintain or record such intellectual property rights after the Separation Date and (y) all goodwill associated with the Communications Business;

rights with respect to third-party warranties that relate to the Communications Assets;

the rights and interests that relate to the Communications Business under any contract that is primarily related to the Communications Business, including under any contract that also relates to any other business or business function of Danaher or any subsidiary of Danaher;

all business records primarily related to the Communications Assets or Communications Liabilities, including with respect to employees who are to remain or become employees of Newco or the Newco Subs in connection with the Separation and subject to any applicable law or collective bargaining obligations, employment and personnel records of these employees, including performance reviews in respect of the period while employed by Newco or any Newco Sub, Forms I-9 and W-4, service credit records, vacation and other leave accrual/balance records, and employee benefit election records in effect as of the closing;

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the right to enforce the confidentiality provisions of any confidentiality, non-disclosure or other similar contracts that relate to the Communications Business and rights to enforce the assignment provisions of any contract;

all accounts receivable or unbilled receivables of the Communications Business, including all accounts receivable of Newco or any Newco Sub;

all assets reflected as an asset on the audited combined balance sheets of the Communications Business as of December 31, 2013, and any assets acquired by or for Newco or any Newco Sub after the date of such balance sheet which would have been reflected on such balance sheet had such assets been acquired on or before the date of such balance sheet;

all the rights of Newco or any Newco Sub under the Distribution Agreement, the Merger Agreement or any Ancillary Agreement; and

any and all other assets owned or held immediately prior to the Separation Time by Danaher or any subsidiary of Danaher that are not described in the list above and that are used, or held for use, primarily in the Communications Business and are not Excluded Assets (as defined below).

The Distribution Agreement also identifies specific assets that are not Communications Assets and thus will not be transferred to Newco or any Newco Sub as part of the Separation, referred to as Excluded Assets, including:

all cash and cash equivalents of Newco or any Newco Sub and bank or other deposit accounts of Danaher and its affiliates (other than Newco and any Newco Sub);

certain intellectual property rights owned by Danaher or any subsidiary of Danaher, other than Newco intellectual property;

employment and personnel records of (i) employees who do not become employees of Newco or the Newco Subs and (ii) employees who become employees of Newco or the Newco Subs, but the transfer of which is prohibited by law or any body representing such employees;

all rights to insurance policies or practices of Danaher and its affiliates, any refunds paid or payable in connection with the cancellation or discontinuance of any such policies or practices, and any claims made under such policies;

all rights to causes of action, lawsuits, judgments, claims, counterclaims or demands against a party other than NetScout or its affiliates that do not relate to the Communications Assets or Communications Business;

certain financial and tax records and working papers of Danaher's auditors;

other than rights to enforce certain confidentiality provisions that relate to confidential information of the Communications Business, records relating to the negotiation and consummation of the potential separation of the Communications Business;

rights and interests that do not relate to the Communications Business under any contract, including under any contract that is not primarily related to the Communications Business;

all permits of Danaher or its affiliates other than those permits used, or held for use, primarily in the Communications Business;

all the issued and outstanding capital stock of, or other equity interests in, the subsidiaries of Danaher (other than Newco or any Newco Sub);

any and all assets that are expressly contemplated by any Ancillary Agreement as assets to be retained by or conveyed to Danaher or any subsidiary of Danaher (other than Newco or any Newco Sub);

assets listed on certain schedules to the Distribution Agreement; and

other than any Communications Asset, assets used, held for use in, or related to, businesses of Danaher other than the Communications Business.

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*Assumption of Liabilities*

At the same time as the transfer of the Communications Assets to Newco or one or more Newco Subs (with certain exceptions), Newco or one or more Newco Subs will assume, perform and fulfill when due and, to the extent applicable, comply with certain liabilities of the Communications Business described below and certain other liabilities described in the schedules to the Distribution Agreement. The Communications Business liabilities, which are referred to herein as the Communications Liabilities (which Newco will assume), specifically exclude the Excluded Liabilities (as defined below), but include, with certain exceptions:

liabilities that are expressly contemplated by the Distribution Agreement, including certain liabilities specified on the schedules to the Distribution Agreement, or any Ancillary Agreement as liabilities to be retained, assumed or retired by Newco or any Newco Sub, and all agreements, obligations and liabilities of any person at Newco or any Newco Sub under the Distribution Agreement, the Merger Agreement or any Ancillary Agreement;

liabilities that relate to (i) the conduct and operation of the Communications Business, (ii) the conduct and operation of any other business conducted by Newco or any subsidiary of Newco after the Separation Time, (iii) the ownership, operation or use of any Communications Assets and (iv) any warranty or similar obligation of the Communications Business;

with respect to the Communications Business and the Communications Assets, subject to certain exceptions, liabilities that relate to (x) any violation or alleged violation of environmental laws, (y) any loss of life or injury due to asbestos exposure and (z) the off-site disposal, storage, transport, discharge or release of hazardous materials;

liabilities under the Newco contracts and the allocated portion of any Newco Shared Contract or any other contract that is assigned to Newco or any Newco Sub;

liabilities that relate to leases for the Communications Assets;

customer deposits held by Danaher or any subsidiary of Danaher that are related to the provision of service by the Communications Business;

accounts payable that relate to the construction or investment in the Communications Assets as of the effective time of the First Merger;

tax liabilities that are allocated to Newco or the Newco Subs pursuant to the Tax Matters Agreement (See Other Agreements Tax Matters Agreement ); and

other than Excluded Liabilities, liabilities of Danaher or any subsidiary of Danaher (including Newco and the Newco Subs) that relate to the ownership or use of the Communications Assets or the operation or the conduct of the Communications Business.

The Distribution Agreement also identifies specific liabilities that will not be assumed by Newco or any Newco Sub as part of the Separation, which are referred to herein as the Excluded Liabilities, including the following liabilities:

liabilities that relate to (A) any loss of life or injury due to asbestos exposure and (B) the off-site disposal, storage, transport, discharge or release of hazardous materials that relates to (x) the ownership or use of the Excluded Assets or (y) activities of Danaher or any subsidiary of Danaher (other than Newco or any Newco Sub) at or affecting the Communications Assets, other than as included in the Communications Liabilities above;

liabilities for indebtedness other than indebtedness solely between or among Newco and any Newco Sub;

liabilities, costs or expenses incurred by or on behalf of Newco or any Newco Sub at or prior to the effective time of the First Merger in connection with the Transactions contemplated by the Distribution Agreement, the Merger Agreement or any Ancillary Agreement;



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tax liabilities that are allocated to Danaher or the Danaher group pursuant to the Tax Matters Agreement (See Other Agreements Tax Matters Agreement );

liabilities that relate to certain contingent or deferred obligations and employee benefit payments; and

liabilities that are expressly contemplated by the Distribution Agreement or any Ancillary Agreement as liabilities to be retained or assumed by Danaher or any subsidiary of Danaher (other than Newco or any Newco Sub), and all liabilities of Danaher or any subsidiary of Danaher (other than Newco or any Newco Sub) under the Distribution Agreement or any Ancillary Agreement.

### *Cash Transfers*

If any cash or cash equivalents remain in Newco or any Newco Sub immediately following the Separation Time, Newco shall promptly transfer, or cause to be transferred, such amount of cash and cash equivalents (including any interest earned thereon) to Danaher or its designee.

### *Third Party Consents*

As promptly as practicable after the signing of the Distribution Agreement and for a period of eighteen (18) months following the closing of the Mergers, the parties to the Distribution Agreement will cooperate and each use reasonable best efforts to transfer or reissue to Newco or a Newco Sub all the permits used, or held for use, primarily in the Communications Business and to obtain all consents and governmental approvals required to consummate the transfer of the Communications Assets and Communications Liabilities. No party is required to make any material payments, incur a material liability or grant any material accommodation to any third party to obtain such consents or approvals, although Danaher and NetScout have each agreed to bear half the costs associated with obtaining such consents.

### *Deferred Assets; Subsequent Transfers*

If the transfer of any Communications Assets or Excluded Assets requires any consents or approvals which have not been obtained at the Separation Time, the transfer of such asset will automatically be deferred (but will still be considered a Communications Asset or Excluded Asset, as applicable). The party retaining the deferred asset will hold the asset in trust for the benefit of the party entitled to the asset until the asset is transferred. During such time, the parties will use reasonable best efforts to make arrangements to place the party entitled to such asset in the same position as if the asset had been transferred as originally contemplated. As soon as the legal impediment to the transfer of the asset in question is removed, or the necessary consents and/or governmental approvals are obtained, the transfer will be effected pursuant to the terms of the Distribution Agreement and/or applicable Ancillary Agreement. The obligations related to the transfer of deferred assets will survive for the duration of the term of the contract, if any, giving rise to the consent requirement.

### *Shared Contracts*

Danaher will use reasonable best efforts to separate and cause the applicable member of the Newco group to enter into new agreements with the applicable counterparties to the Danaher Shared Contracts prior to the Separation Time. Upon such separation of a Danaher Shared Contract, the separated contract that is related to the Communications Business will be a Newco contract and the other separated contract will be an Excluded Asset. To the extent that Danaher is unable or the applicable counterparties are unwilling to enter into agreements with respect to any Danaher Shared Contract, Danaher (or the applicable subsidiary of Danaher) will partially assign the Communications Business

functions to Newco in the manner agreed to by the parties. In the event that such partial assignment is not permitted by the terms of the applicable Danaher Shared Contract or consented to by the applicable counterparty, Danaher will use reasonable best efforts to provide for an alternative arrangement so that the applicable member of the Newco group will have the benefits of such Danaher Shared Contract as though it had been partially assigned. Danaher (or the applicable subsidiary of Danaher) is not required to make any

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supplemental payments to any third party when providing such an alternative arrangement. Newco will cooperate with Danaher when entering into any new agreement or partial assignment. The obligations related to Danaher's use of reasonable best efforts to separate and assign Danaher Shared Contracts will terminate on the eighteen (18) month anniversary of the closing of the Mergers, and the obligations related to Danaher's use of reasonable best efforts to provide for alternative arrangements will survive for the duration of the term of the applicable contract.

Newco will use reasonable best efforts to separate and cause the applicable member of the Danaher group to enter into new agreements with the applicable counterparties to the Newco Shared Contracts prior to the Separation Time. Upon such separation of a Newco Shared Contract, the separated contract that is related to the Communications Business will be a Newco contract and the other separated contract will be an Excluded Asset. To the extent that Newco is unable or the applicable counterparties are unwilling to enter into agreements with respect to any Newco Shared Contract, Newco (or the applicable subsidiary of Newco) will partially assign the non-Communications Business functions to Danaher in the manner agreed to by the parties. In the event that such partial assignment is not permitted by the terms of the applicable Newco Shared Contract or consented to by the applicable counterparty, Newco will use reasonable best efforts to provide for an alternative arrangement so that the applicable member of the Danaher group will have the benefits of such Newco Shared Contract as though it had been partially assigned. Newco (or the applicable subsidiary of Newco) is not required to make any supplemental payments to any third party when providing such an alternative arrangement. Danaher will cooperate with Newco when entering into any new agreement or partial assignment. The obligations related to Newco's use of reasonable best efforts to separate and assign Newco Shared Contracts will terminate on the eighteen (18) month anniversary of the closing of the Mergers, and the obligations related to Newco's use of reasonable best efforts to provide for alternative arrangements will survive for the duration of the term of the applicable contract.

*Novations of Newco Contracts*

Upon Danaher's request, the parties will use reasonable best efforts to obtain the novation of any Newco contract specified by Danaher. Danaher (or the applicable subsidiary of Danaher) is not required to make any payments to any third party when obtaining such novations. The obligations related to the novation of Newco contracts will terminate on the eighteen (18) month anniversary of the closing of the Mergers.

*Termination of Intercompany Agreements*

Effective as of the Distribution Date, Danaher and Newco will terminate all contracts (including any guarantee obligations) between Danaher and any subsidiary of Danaher (excluding Newco and any Newco Sub), on the one hand, and Newco and any subsidiary of Newco, on the other hand, except (i) the Merger Agreement, the Distribution Agreement, and the Ancillary Agreements, (ii) any contracts or intercompany accounts solely between members of the Newco group, (iii) any contract to which any person other than the parties to the Distribution Agreement (or their affiliates) are a party, (iv) any contracts between a subsidiary of Danaher that is in the business of selling or buying products or services to or from third parties and a member of the Newco group (and that is primarily related to the provision of such products or services and was or is entered into in the ordinary course of business) and (v) any contract that the Distribution Agreement, the Merger Agreement, or the Ancillary Agreements expressly contemplate will survive the Distribution Date. All loans between Danaher or any subsidiary of Danaher, on the one hand, and Newco or any subsidiary of Newco, on the other hand, likewise will be terminated before the Distribution Date.

*Guarantees*

Following the closing, if the parties were unable to novate, assign or replace any Danaher guarantees prior to the closing, Newco will (i) continue to use its reasonable best efforts to novate, assign or replace such Danaher guarantees

with NetScout as guarantor and (ii) indemnify, defend and hold harmless Danaher and its affiliates

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against, and reimburse Danaher and its affiliates for, any losses Danaher and its affiliates incurred because any such Danaher guarantee is called upon and Danaher or its affiliate is required to make any material payment under any such Danaher guarantee. The obligations related to Newco's use of reasonable best efforts do not require Newco to take any action that would be reasonably expected to expose it or any subsidiary of Newco to any material incremental expenses or losses of benefits.

### *Resignations*

At or prior to the Distribution Date, Danaher will use its reasonable best efforts to cause each employee and director of Danaher or any subsidiary of Danaher who will not be employed by Newco or a Newco Sub to resign, effective no later than the Distribution Date, from all boards of directors or similar governing bodies of Newco or any Newco Sub, and from all positions as officers of Newco or any Newco Sub.

### **Conditions to the Separation**

The obligations of Danaher to effect the Separation pursuant to the Distribution Agreement are subject to fulfillment (on or before the effective time of the First Merger) or waiver (which waiver will require the written consent of NetScout unless the Merger Agreement has been terminated), at or prior to the Separation Date, of each condition to each party's respective obligations to effect the Mergers as described in the Merger Agreement.

### **The Distribution**

The Distribution Agreement provides that Danaher may elect, in its sole discretion, to effect the Distribution in the form of either (i) a dividend of Newco common units to Danaher stockholders on a *pro rata* basis, referred to as a spin-off, (ii) an offer by Danaher to exchange Newco common units for currently outstanding shares of Danaher's common stock, referred to as a split-off exchange offer or (iii) a combination of a spin-off and a split-off exchange offer. Danaher must advise NetScout of the form of the Distribution at least thirty (30) business days before the anticipated date of the closing of the Mergers.

### **Conditions to the Distribution**

The obligations of Danaher to effect the Distribution pursuant to the Distribution Agreement are subject to fulfillment (on or before the effective time of the First Merger) or waiver (which waiver will require the written consent of NetScout unless the Merger Agreement has been terminated) of each of the following conditions:

the Communications Business, Communications Assets and Communications Liabilities have been transferred to Newco and the Excluded Assets and Excluded Liabilities have been transferred to or remain with a member of the Danaher group (other than Newco or a Newco Sub);

with respect to any spin-off, Danaher has established the record date, for purposes of the Distribution, and has provided a notice to FINRA no later than ten (10) days prior to the record date;

Danaher and Newco have prepared and mailed to the holders of record of Danaher common stock information concerning Newco, its business, operations and management, the Distribution and such other

matters as Danaher will determine in its sole and absolute discretion (after consultation with NetScout) and as otherwise required by applicable law;

each material governmental approval required in connection with the Internal Restructuring or any transaction contemplated by the Plan of Reorganization has been obtained and is in full force and effect; and

each of the conditions to Danaher's obligations to effect the Mergers has been satisfied or waived, other than those conditions that by their nature are to be satisfied at the Distribution Date.

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### **NetScout Guarantee**

Following the effective time of the First Merger, NetScout guarantees the obligations of Newco and the Newco Subs to Danaher under the Distribution Agreement and the Ancillary Agreements.

### **Additional Covenants**

Each of Danaher and Newco have undertaken specified covenants in the Distribution Agreement restricting the conduct of their respective businesses and committing them to take specified actions. You are urged to read carefully the sections of the Distribution Agreement entitled Access to Information and Additional Agreements. The more significant of these covenants discuss:

confidentiality and access by each party to confidential information (including making witnesses available) in the possession or control of the other party;

treatment by each party of privileged information; and

the removal of tangible Communications Assets located at any facilities of Danaher or any subsidiaries of Danaher (other than Newco or any subsidiary of Newco).

### **Insurance**

Prior to the effective time of the First Merger, Newco, the Communications Assets and the Communications Business will continue to be covered under insurance policies of Danaher or the subsidiaries of Danaher. Following the effective time of the First Merger, Newco, the Communications Assets and the Communications Business will no longer be covered under the insurance policies of Danaher or the subsidiaries of Danaher. Newco or any subsidiary of Newco will have the right to access occurrence-based coverage (to the extent such coverage exists) for claims asserted after the effective time of the First Merger but arising out of an occurrence prior to the effective time of the First Merger.

Following the Distribution Date, members of the Newco group will have no rights or claims with respect to any captive insurance company of Danaher or any of its affiliates or any fronted insurance program maintained by Danaher or any of its affiliates that is not a risk transfer insurance program.

Danaher will maintain directors and officers liability and fiduciary liability insurance coverage for no less than six years following the effective time of the First Merger.

### **Mutual Releases; Indemnification**

#### *Release of Pre-Distribution Date Claims*

Subject to specified exceptions, Newco, on the one hand, and Danaher, on the other hand, agreed to release the other party and its respective subsidiaries, stockholders, directors, partners, managers, managing members, officers, agents or employees from any and all liabilities, whether arising under any contract or by operation of law or otherwise, including in connection with the Transactions and all other activities to implement the Separation:

existing or arising from any acts or events occurring or failing to occur or alleged to have occurred or to have failed to occur on or before the effective time of the Mergers; or

arising from any conditions existing or alleged to have existed on or before the effective time of the Mergers. The mutual release is subject to specified exceptions set forth in the Distribution Agreement, including with respect to any indemnification to which a director, officer, manager, employee or agent of Danaher, Newco or any of their subsidiaries is entitled, if such individual was entitled to a right of indemnification under the organizational documents of Newco or any subsidiary of Newco or pursuant to a contract.



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### *Indemnification*

Except as otherwise provided in the Merger Agreement or any Ancillary Agreement, Newco and each member of the Newco group, on a joint and several basis, agreed to indemnify Danaher from and against all losses, liabilities, damages, penalties, judgments, assessments, costs and expenses that relate to any of the following, whether arising before or after the effective time of the First Merger:

the Communications Liabilities assumed by Newco;

any breach by Newco or any Newco Sub of any obligations under the Distribution Agreement or the Ancillary Agreements after the effective time of the Mergers; and

any breach by NetScout or any of its affiliates of any covenant of NetScout under the Merger Agreement, which by its terms is to be performed after the effective time of the Mergers.

Except as otherwise provided in the Merger Agreement or any Ancillary Agreement, Danaher has agreed to indemnify Newco from and against all losses, liabilities, damages, penalties, judgments, assessments, costs and expenses that relate to any of the following, whether arising before or after the effective time of the Mergers:

the Excluded Liabilities;

any breach by Danaher or any subsidiary of Danaher (other than Newco or any subsidiary of Newco) of any obligations under the Distribution Agreement or the Ancillary Agreements on or after the Separation Time;

any breach by Danaher or any of its affiliates of any covenant of Danaher under the Merger Agreement, which by its terms is to be performed after the effective time of the Mergers; and

any breach of the representations and warranties set forth in certain sections of the Merger Agreement with respect to title to, and sufficiency of, the Communications Assets.

### *Survival*

The ability to make a claim for indemnification related to the breach of any representation and warranty made by Danaher will terminate after the end of the applicable survival period under the terms of the Merger Agreement as described in The Merger Agreement Survival of Representations, Warranties and Agreements. In the event that notice of any claim for indemnification related to the breach of any representation and warranty made by Danaher is given within the applicable survival period, the representations and warranties that are the subject of such indemnification claim will survive until such time as such claim is finally resolved.

### *Baskets and Caps*

Danaher's obligation to indemnify the Newco indemnitees for losses related to a breach of specified representations and warranties made by Danaher in the Merger Agreement with respect to title to, and sufficiency of, the Communications Assets is subject to certain limitations. With respect to such losses, no indemnification will be made by Danaher with respect to any claim until the aggregate amount of all such losses exceeds \$5,000,000, at which point the Newco Indemnitees are entitled to indemnification only for such losses in excess of \$5,000,000. Only individual claims or series of related claims involving such losses in excess of \$100,000 will be included in the calculation to determine whether the \$5,000,000 deductible amount has been met. In no event will the obligation of Danaher to indemnify Newco indemnitees for losses related to breaches of specified representations and warranties made by Danaher in the Merger Agreement with respect to title to, and sufficiency of, the Communications Assets exceed \$250,000,000 in the aggregate.

*Indemnification Obligations Net of Proceeds from Third Parties*

Any liability that is subject to indemnification or contribution pursuant to the Distribution Agreement will be net of any proceeds received by the indemnitee from any third party for indemnification for such liability

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(referred to as third-party proceeds). An indemnitee must use commercially reasonable efforts to seek to collect or recover any third-party proceeds in connection with any liability for which the indemnitee seeks indemnification or contribution.

**Amendment and Waiver**

The Distribution Agreement may be amended and any provision may be waived only by writing signed by both parties, in the case of an amendment, or the party waiving the provision, in the case of a waiver. In addition, unless the Merger Agreement shall have been terminated in accordance with its terms, any such amendment or waiver shall be subject to the written consent of NetScout.

**Termination**

Prior to the closing of the Mergers, the Distribution Agreement will terminate without any further action upon termination of the Merger Agreement. In the event of such termination, no party will have any further liability to the other party, except as provided in the Merger Agreement.

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**OTHER AGREEMENTS**

*The following is a summary of the material provisions of the Employee Matters Agreement, the Tax Matters Agreement, the Transition Services Agreement, the Trademark License Agreement, the IP License Agreement, the DBS License Agreement, the Lease Agreement and the Voting Agreement. This summary is qualified in its entirety by reference to the complete text of the Employee Matters Agreement and the Tax Matters Agreement, copies of which are attached hereto as annexes D and E, respectively. The rights and obligations of the parties are governed by the express terms and conditions of these agreements and not by this summary or any other information included in this document. You are urged to read the agreements carefully and in their entirety.*

**Employee Matters Agreement**

In connection with the proposed Transactions, Danaher, NetScout and Newco have negotiated an employee matters agreement, that, among other things, allocates between the parties the pre-and post-closing liabilities in respect of the employees and independent contractors of the Communications Business transferring to Newco (including liabilities in respect of Danaher's employee benefit plans) and establishes certain required treatment of the transferring employees by NetScout after the closing.

*Identification of Newco Employees and Newco Independent Contractors*

Transferring employees and independent contractors of the Communications Business, respectively referred to as Newco Employees and Newco Independent Contractors, will generally consist of:

each employee or independent contractor of Danaher's Tektronix Communications and Arbor Networks businesses;

each employee or independent contractor of Danaher's Fluke Networks business who transfers by operation of law, or is determined to be either:

primarily dedicated to the Communications Business in the ordinary course; or

required for the ongoing operation of the Communications Business.

Danaher employees meeting the criteria above who are not actively at work at the time of the closing of the Mergers as a result of a disability or an approved leave of absence will become Newco Employees only if and when they return to active employment within six months after the closing of the Mergers (or such longer period as may be required by law).

The parties will establish an integration team to identify which employees and independent contractors of Danaher's Fluke Networks Enterprise business should be treated as Newco Employees and Newco Independent Contractors, with the goal of providing Newco with sufficient operational and management employees to operate and manage the Communications Business. If the integration team is unable to agree prior to the closing of the Mergers whether an employee or independent contractor of Danaher's Fluke Networks Enterprise business should be a Newco Employee or Newco Independent Contractor, the Senior Vice President-Human Resources of Danaher will make the final

determination.

*General Allocation of Liabilities*

Newco will generally assume all liabilities in respect of Newco Employees and Newco Independent Contractors, whether arising before or after the closing of the Mergers, as well as all liabilities arising before the closing of the Mergers in respect of individuals who are not Newco Employees or Newco Independent Contractors but where the liability arose while the individual was employed by or providing substantial services to the Communications Business. Danaher will retain all other liabilities, including all liabilities in respect individuals who are not Newco Employees or Newco Independent Contractors (except as described in the

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preceding sentence) and all liabilities arising from the transfer of Newco Employees and Newco Independent Contractors in connection with the proposed Transactions (other than transfer-related liabilities that arise out of Newco's or NetScout's failure to comply with any of their respective obligations under the terms of the Employee Matters Agreement).

Newco will continue to maintain or assume all obligations under Danaher's collective bargaining agreements to the extent they apply to Newco Employees and as required by law. If the terms of a collective bargaining agreement require that any assets or liabilities be retained by Danaher or transferred to Newco in a manner other than as set forth in the Employee Matters Agreement, the terms of the applicable collective bargaining agreement will govern.

### *Post-Closing Compensation and Benefits*

For 12 months after the closing of the Mergers, NetScout will generally provide each Newco Employee with a base salary or hourly wage that is at least equal to the base salary or hourly wage provided to the employee immediately before the closing of the Mergers and a target annual cash bonus opportunity that is no less favorable than the target annual cash bonus opportunity in effect for the employee immediately before the closing of the Mergers.

NetScout will also generally provide severance benefits to any Newco Employee not covered by a collective bargaining agreement who is terminated within 12 months after the closing of the Mergers that are no less favorable than the severance benefits the Newco Employee would have received upon a termination of his or her employment immediately before the closing of the Mergers.

In addition, from a period beginning within a reasonable period of time following the closing of the Mergers through the end of the calendar year in which the closing occurs, NetScout will use its reasonable best efforts to provide each Newco Employee with health, welfare and retirement benefits that are no less favorable than the health, welfare and retirement benefits provided by NetScout to its similarly situated employees in the applicable jurisdiction.

### *Service Crediting*

Subject to certain exceptions, Newco Employees generally will be credited by NetScout for all of their pre-closing service with Danaher for purposes of eligibility, vesting and determination of level of benefits under any NetScout benefit arrangement in which Newco Employees participate after the closing of the Mergers.

### *Treatment of Defined Benefit Pension Plans*

Newco Employees will generally cease participating in and accruing benefits under Danaher's defined benefit pension plans as of the closing of the Mergers. NetScout will not be required to establish or maintain a U.S. defined benefit pension plan following the closing of the Mergers for any Newco Employee, and Danaher will retain all assets and liabilities for Newco Employees relating to Danaher's U.S. defined benefit pension plan. If required by law in the applicable non-U.S. jurisdiction, NetScout will use its reasonable efforts to establish or maintain a non-U.S. defined benefit pension plan for Newco Employees who participated in a Danaher non-U.S. defined benefit pension plan immediately before the closing of the Mergers with terms substantially similar to the terms of the applicable Danaher non-U.S. defined benefit pension plan as in effect immediately before the closing of the Mergers, and Danaher will transfer assets and liabilities related to Newco Employees under the applicable Danaher non-U.S. defined benefit pension plan to the applicable NetScout non-U.S. defined benefit pension plan. If the non-U.S. pension liabilities transferred by Danaher exceed the assets transferred by Danaher, Danaher is obligated to transfer an amount of cash to NetScout equal to the difference between the non-U.S. pension liabilities transferred and the assets transferred.



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### *Treatment of Defined Contribution Retirement Plans*

Newco Employees will cease participating in the Danaher 401(k) plan in which the employees participate as of the closing of the Mergers, and each Newco Employee will become fully vested in his or her account balance under the plan as of the closing of the Mergers. Each Newco Employee will be permitted to make rollover contributions from the Danaher 401(k) plan in which the employee participates to NetScout's 401(k) plan.

Newco Employees will generally cease participating in and accruing benefits under Danaher's non-U.S. defined contribution retirement plans as of the closing of the Mergers. If required by law in the applicable non-U.S. jurisdiction, NetScout will establish or maintain a non-U.S. defined contribution retirement plan for Newco Employees who participated in a Danaher non-U.S. defined contribution retirement plan immediately before the closing of the Mergers with terms no less favorable than the terms of the applicable Danaher non-U.S. defined contribution retirement plan as in effect immediately before the closing of the Mergers, and Danaher will transfer assets and liabilities related to Newco Employees under the applicable Danaher non-U.S. defined contribution retirement plan to the applicable NetScout non-U.S. defined contribution retirement plan.

### *Treatment of Welfare Benefit Plans*

Newco Employees will generally cease participating in and accruing any benefits under Danaher's welfare benefit plans as of the closing of the Mergers. NetScout will use its reasonable best efforts to establish or maintain health and welfare benefits plans providing medical, dental, vision, disability and life insurance coverage for Newco Employees with terms and conditions that are fully equivalent to the health and welfare benefits provided by NetScout to its similarly situated employees as of the closing of the Mergers. Danaher generally will retain liabilities for welfare and fringe benefit claims incurred before the closing of the Mergers, and NetScout generally will assume liabilities for welfare and fringe benefit claims incurred on and after the closing of the Mergers.

NetScout will credit each Newco Employee with the amount of accrued but unused vacation time and other paid time off benefits attributable to pre-closing service at Danaher. However, NetScout may require that any carry-over amounts in excess of what could have been carried over under the applicable NetScout paid time off plan be used by December 31 of the year following the year in which the closing of the Mergers occurs.

### *Treatment of Nonqualified Deferred Compensation Plan*

Newco Employees will cease active participation in Danaher's nonqualified deferred compensation plan as of the closing of the Mergers. NetScout will have no obligation to establish a nonqualified deferred compensation plan for Newco Employees, and Danaher will retain all assets and liabilities with respect to Danaher's nonqualified deferred compensation plan, including any liabilities with respect to Newco Employees.

### *Treatment of Danaher Equity Incentive Awards*

Each option to purchase shares of Danaher common stock that is held by a Newco Employee and is vested and exercisable immediately before the closing of the Mergers or is scheduled to vest on or before August 4, 2015 will generally remain outstanding for 90 days following the later of the closing date of the Mergers or the date the option becomes vested and exercisable. Each restricted stock unit relating to shares of Danaher common stock that is held by a Newco Employee and is unvested immediately before the closing of the Mergers, but is scheduled to vest on or before August 4, 2015, will continue to vest and be settled in accordance with its terms. Each of these Danaher stock options and Danaher restricted stock units may be equitably adjusted by Danaher if determined by the Danaher board of directors to be necessary to reflect the impact of the proposed Transactions on the value of shares of Danaher



common stock. Danaher does not believe that any adjustments will be made in the event that the exchange offer, if applicable, is fully subscribed.

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All stock options and restricted stock units relating to shares of Danaher common stock that are held by a Newco Employee and that are not vested immediately before the closing of the Mergers or scheduled to vest on or before August 4, 2015, will generally be cancelled by Danaher immediately before the closing of the Mergers and replaced by NetScout with a cash retention award and restricted stock units relating to shares of NetScout common stock in respect of the value (determined in accordance with the methods described below) of the cancelled Danaher stock options and Danaher restricted stock units held by the employee before the closing of the Mergers. The value of each cancelled Danaher stock option, referred to herein as the Cancelled Danaher Option Value, will be equal to the spread value of the cancelled Danaher stock option, or, if greater, the value obtained by dividing the total number of shares of Danaher common stock subject to the cancelled Danaher stock option by 2.5 and multiplying the resulting number of shares by the per share closing price of Danaher common stock trading on the regular way basis on the New York Stock Exchange on the day immediately prior to the closing date of the Mergers. The value of each cancelled Danaher restricted stock unit, referred to herein as the Cancelled Danaher Restricted Stock Unit Value, is equal to the total number of shares of Danaher common stock subject to the Danaher restricted stock unit multiplied by the per share closing price of Danaher common stock trading on the regular way basis on the New York Stock Exchange on the day immediately prior to the closing date of the Mergers. Together, the Cancelled Danaher Option Value and the Cancelled Danaher Restricted Stock Unit Value are referred to herein as the Newco Employee's Cancelled Danaher Equity Award Value.

The cash retention award each Newco Employee will receive in respect of the value of the employee's cancelled Danaher equity awards will be equal to one half of the employee's Cancelled Danaher Equity Award Value and will become payable on the later of the first anniversary of the closing date of the Mergers or August 4, 2016, subject to the employee's continued employment with NetScout through the applicable vesting date. Danaher will reimburse NetScout for the amount of the cash retention payments (net of any applicable employment taxes and deductions).

The number of restricted stock units relating to shares of NetScout common stock each Newco Employee will receive in respect of the value of the employee's cancelled Danaher equity awards will be equal to the number obtained by dividing one half of the employee's Cancelled Danaher Equity Award Value by the per share closing price of NetScout common stock trading on the regular way basis on NASDAQ on the closing date of the Mergers, provided that