Starent Networks, Corp.
Form DEF 14A
April 07, 2009
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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. __)

Filed by the Registrant x

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))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material under Rule 14a-12

Starent Networks, Corp.

(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):

x 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.

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

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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STARENT NETWORKS, CORP.

30 International Place

Tewksbury, MA 01876

April 7, 2009

Dear Stockholder:

You are cordially invited to attend the 2009 Annual Meeting of Stockholders of Starent Networks, Corp. to be held at 10:00 a.m., local time, on Thursday, May 21, 2009 at the offices of WilmerHale LLP, 60 State Street, Boston, Massachusetts 02109.

At the Annual Meeting, you will be asked to elect two directors to our Board of Directors and to ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm. The Board of Directors recommends approval of each of these proposals.

We hope you will be able to attend the Annual Meeting. Whether or not you plan to attend the Annual Meeting, it is important that your shares are represented. Therefore, please vote your shares on the Internet, by telephone or by completing, signing, dating and returning the enclosed proxy card as soon as possible in the envelope provided. If you attend the meeting and prefer to vote at that time, you may do so.

On behalf of all of our team members and directors, I would like to thank you for your continuing support and confidence.

Sincerely,

Ashraf M. Dahod

Chairman, President and Chief

Executive Officer

YOUR VOTE IS IMPORTANT.

We urge you to promptly vote your shares on the Internet, by telephone or by completing,

signing, dating and returning the enclosed proxy card.

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STARENT NETWORKS, CORP.

30 International Place

Tewksbury, MA 01876

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held On Thursday, May 21, 2009

The 2009 Annual Meeting of Stockholders of Starent Networks, Corp. will be held at the offices of WilmerHale LLP, 60 State Street, Boston, Massachusetts 02109 on Thursday, May 21, 2009 at 10:00 a.m., local time. At the meeting, stockholders will consider and vote on the following matters:

(1) To elect two Class II Directors to serve until the 2012 Annual Meeting of Stockholders;

(2) To ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2009; and

(3) To transact such other business as may properly come before the meeting or any adjournment thereof.

Stockholders of record at the close of business on March 31, 2009 will be entitled to notice of and to vote at the Annual Meeting or any adjournment thereof.

By Order of the Board of Directors,

Jonathan M. Moulton

Vice President, General Counsel

& Secretary

Tewksbury, Massachusetts

April 7, 2009

Your vote is important regardless of the number of shares you own. Whether or not you plan to attend the Annual Meeting, please promptly vote your shares on the Internet, by telephone or by completing, signing, dating and returning the enclosed proxy card in the enclosed envelope in order to ensure representation of your shares. No postage need be affixed if the proxy is mailed in the United States.

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STARENT NETWORKS, CORP.

30 International Place

Tewksbury, Massachusetts 01876

PROXY STATEMENT FOR ANNUAL MEETING OF STOCKHOLDERS

To Be Held On Thursday, May 21, 2009

GENERAL INFORMATION ABOUT THE ANNUAL MEETING

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of

Stockholders to be Held on May 21, 2009

This proxy statement and the 2008 Annual Report to Stockholders are available for viewing,

printing and downloading at www.starentnetworks.com/proxymaterials

Solicitation of Proxies

This proxy statement is furnished in connection with the solicitation of proxies by the board of directors of Starent Networks, Corp. for use at the Annual Meeting of Stockholders to be held on May 21, 2009, and at any adjournment of that meeting. We will bear all costs of solicitation of proxies. In addition to solicitations by mail, our directors, officers and employees, without additional remuneration, may solicit proxies by telephone, telegraph and personal interviews, and we reserve the right to retain outside agencies for the purpose of soliciting proxies. Brokers, custodians and fiduciaries will be requested to forward proxy soliciting material to the owners of stock held in their names, and, as required by law, we will reimburse them for their out-of-pocket expenses in this regard.

The Notice of Annual Meeting, this proxy statement and accompanying proxy and our Annual Report for the fiscal year ended December 31, 2008 are first being mailed to stockholders on or about April 7, 2009.

Proposals to be Voted Upon

Proposal 1. The first proposal is to elect two directors to our board of directors, each to serve for a term ending in 2012, or until his respective successor has been duly elected and qualified.

Proposal 2. The second proposal is to ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2009.

When you return your proxy properly signed (or vote on the Internet or by telephone), your shares will be voted by the persons named as proxies in accordance with your directions. You are urged to specify your choices on the enclosed proxy card. If you sign and return your proxy without specifying choices, your shares will be voted FOR the election of each of the two director nominees listed in Proposal 1 and FOR Proposal 2, and in the discretion of the persons named as proxies in the manner they believe to be in our company s best interests as to other matters that may properly come before the meeting.

Voting Procedures

You may vote either in person at the Annual Meeting or by proxy. To vote by proxy, you must select one of the following options:

Complete the enclosed proxy card:

Complete all of the required information on the proxy card.

Date and sign the proxy card.

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Return the proxy card in the enclosed postage-paid envelope. We must receive the proxy card not later than May 20, 2009, the day before the Annual Meeting, for your proxy to be valid and for your vote to count.

If you are not the stockholder of record and hold shares through a custodian, broker or other agent, such agent may have special voting instructions that you should follow.

Vote by telephone (telephone voting instructions are printed on the proxy card):

Call the toll-free voting telephone number: 1-800-652-8683.

Have the proxy card in hand.

Follow and comply with the recorded instructions before the deadline of May 20, 2009.

If you are not the stockholder of record and hold shares through a custodian, broker or other agent, such agent may have special voting instructions that you should follow.

Vote on the Internet (Internet voting instructions are printed on the proxy card):

Access http://www.investorvote.com.

Have the proxy card in hand.

Follow the instructions provided on the site.

Submit the electronic proxy before the deadline of May 20, 2009.

If you are not the stockholder of record and hold shares through a custodian, broker or other agent, such agent may have special voting instructions that you should follow.

Telephone and Internet voting ends at 11:59 p.m., Eastern Daylight Time, on May 20, 2009. If you vote in a timely manner by the Internet or telephone, you do not have to return your proxy card for your vote to count. Please be aware that if you vote on the Internet, you may incur costs such as normal telephone and Internet access charges for which you will be responsible.

The Internet and telephone voting procedures appear on the enclosed proxy card. You may also log on to change your vote or to confirm that your vote has been properly recorded before the deadline.

Whether or not you expect to be present in person at the Annual Meeting, you are requested to complete, sign, date and return the enclosed form of proxy or to vote by telephone or Internet. The shares represented by your proxy will be voted in accordance with your instructions. If you attend the meeting, you may vote by ballot. If you want to vote in person at the Annual Meeting, and you own your shares through a custodian, broker or other agent, you must obtain a proxy from that party in their capacity as owner of record for your shares and bring the proxy to the Annual Meeting.

Shares represented by proxies on the enclosed proxy card will be counted in the vote at the Annual Meeting if we receive your proxy card by May 20, 2009. Proxies submitted by the Internet or by telephone will be counted in the vote only if they are received by 11:59 p.m., Eastern Daylight Time, on May 20, 2009.

Your properly completed proxy/voting instruction card will appoint Ashraf M. Dahod, Paul J. Milbury and Jonathan M. Moulton as proxy holders, or your representatives, to vote your shares in the manner directed therein by you. Mr. Dahod is our President and Chief Executive Officer, Mr. Milbury is our Vice President of Operations and Chief Financial Officer and Mr. Moulton is our Vice President, General Counsel and Secretary. Your proxy permits you to direct the proxy holders to:

- vote for or to withhold your votes from either or both nominees for director; and

- vote for, against or abstain from the proposal to ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2009.

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All shares entitled to vote and represented by properly completed proxies received prior to the meeting and not revoked will be voted at the meeting in accordance with your instructions. If you do not indicate how your shares are to be voted on a matter, the shares represented by your properly completed proxy will be voted FOR the election of both of the nominees for director and FOR the proposal to ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2009.

Revocation of Proxies

You may revoke your proxy at any time before its use by casting a new vote on the Internet or by telephone or by delivering to us a duly executed proxy or written notice of revocation bearing a later date. If you execute a proxy but are present at the meeting, and you wish to vote in person, you may do so by revoking your proxy. Shares represented by valid proxies, received in time for use at the meeting and not revoked at or prior to the meeting, will be voted at the meeting.

Stockholders Entitled to Vote

Our board of directors has fixed March 31, 2009 as the record date for the meeting. You are entitled to vote (in person or by proxy) at the Annual Meeting if you were a stockholder of record on the record date. On the record date, we had 70,473,054 shares of common stock outstanding (consisting of all of our outstanding voting stock). Each share of common stock will have one vote for each matter to be voted on at the Annual Meeting. Holders of common stock do not have cumulative voting rights.

Quorum

A majority of the number of shares of common stock outstanding and entitled to vote at the Annual Meeting constitutes a quorum for purposes of each matter to be voted on at the Annual Meeting. Shares of common stock represented in person or by proxy (including shares that abstain or otherwise do not vote with respect to one or more of the matters presented for stockholder approval) will be counted for purposes of determining whether a quorum is present.

Votes Required

The affirmative vote of the holders of shares representing a plurality of the votes cast by the holders of common stock is required for the election of directors. The affirmative vote of the holders of a majority of the votes cast on the matter is required to ratify the selection of our independent registered public accounting firm.

Shares that abstain from voting as to a particular matter, and shares held in street name by a broker or nominee that indicates on a proxy that it does not have discretionary authority to vote as to a particular matter, will not be voted in favor of such matter, and also will not be counted as votes cast on such matter. Accordingly, abstentions and broker non-votes will have no effect on the election of directors and the ratification of the selection of our independent registered public accounting firm.

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BENEFICIAL OWNERSHIP OF OUR COMMON STOCK

The following table sets forth the beneficial ownership of our common stock as of January 15, 2009 by:

- each holder of 5% of more of our outstanding common stock known to us;
- each director and director nominee;
- each executive officer named in the Summary Compensation Table included in this proxy statement; and
- all directors and executive officers as a group.

We have determined beneficial ownership in accordance with the rules of the SEC. Except as otherwise indicated, all of the shares reflected in the table are shares of common stock and all persons listed below have sole voting and investment power with respect to the shares beneficially owned by them. Percentage ownership calculations for beneficial ownership are based on 70,137,885 shares issued and outstanding as of January 15, 2009. In computing the number of shares of common stock beneficially owned by a person and the percentage ownership of that person, we deemed outstanding shares of common stock subject to options held by that person that are currently exercisable or exercisable within 60 days of January 15, 2009. We did not deem these shares outstanding, however, for the purpose of computing the percentage ownership of any other person or entity. Except as otherwise noted below, the address of each beneficial owner listed in the table is c/o Starent Networks, Corp., 30 International Place, Tewksbury, Massachusetts 01876.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Percentage of Outstanding Common Stock
5% Holders		
Entities affiliated with Matrix Partners(1)	8,064,233	11.5%
Entities affiliated with North Bridge Venture Partners(2)	10,542,721	15.0%
Entities affiliated with Highland Capital Partners(3)	3,649,058	5.2%
FMR LLC(4)	9,231,664	13.2%
Officers and Directors		
Ashraf M. Dahod(5)	6,907,348	9.7%
Pierre G. Kahhale(6)	283,791	*
Vijay Kathuria(7)	439,750	*
Thierry Maupilé(8)	142,999	*
Paul J. Milbury	113,819	*
Edward T. Anderson(9)	10,611,507	15.1%
Timothy A. Barrows(10)	7,233,433	10.3%
Sean M. Dalton(11)	3,696,157	5.3%
Matthew J. Desch(12)	51,076	*
James A. Dolce, Jr.(13).	68,786	*
Kenneth A. Goldman(14)	38,999	*
All executive officers and directors as a group (13 persons)	30,651,828	42.4%

* Less than 1%.

(1) Consists of 4,785,420 shares held by Matrix Partners VI, L.P., 1,605,446 shares held by Matrix VI Parallel Partnership-A, L.P., 547,390 shares held by Matrix VI Parallel Partnership-B, L.P., 990,591 shares held by Weston & Co. VI LLC and 135,386 shares held by Weston & Co. VI LLC, as nominee. Timothy A. Barrows, a member of our board of directors, is a Managing Member of Matrix VI Management Co., L.L.C., the general partner of each of Matrix Partners VI, L.P., Matrix Partners VI Parallel Partnership-A, L.P. and Matrix Partners VI Parallel Partnership-B, L.P. (collectively, the Matrix Partnerships).

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Mr. Barrows is the managing member of Matrix VI Management Co., L.L.C. and has sole voting and dispositive power with respect to the shares held by the Matrix Partnerships. Mr. Barrows disclaims beneficial ownership of such shares except to the extent of his pecuniary interest, if any. Weston & Co. VI LLC (Weston and, together with the Matrix Partnerships, the Matrix Entities) is nominee for certain beneficial owners, including Mr. Barrows. Mr. Barrows has sole voting and investment control with respect to 135,386 shares beneficially held by Weston for him personally. Mr. Barrows is authorized by the sole member of Weston to take any action with respect to the remaining shares held by Weston as directed by the underlying beneficial owners. Mr. Barrows disclaims beneficial ownership of such remaining shares. The address of the Matrix Entities is c/o Matrix Partners, Bay Colony Corporate Center, 1000 Winter Street, Suite 4500, Waltham, MA 02451. We obtained information regarding the beneficial ownership of these shares solely from Amendment No. 1 to the Schedule 13G, filed with the SEC on February 11, 2009 by Matrix Partners VI, L.P., Matrix VI Parallel Partnership-A, L.P., Matrix VI Parallel Partnership-B, L.P., Matrix VI Management Co., L.L.C. and Timothy A. Barrows.

(2) Consists of 7,144,649 shares held of record by North Bridge Venture Partners IV-A, L.P., or NBVP IV-A, and 3,398,072 shares held of record by North Bridge Venture Partners IV-B, L.P., or NBVP IV-B. NBVM GP, LLC, or NVBM, the sole general partner of North Bridge Venture Management IV, L.P. which is the sole general partner of each of NBVP IV-A and NBVP IV-B, has sole voting and dispositive power over these shares. The managers of NVBM having voting and dispositive power over these shares are Edward T. Anderson and Richard A. D Amore, each of whom disclaims beneficial ownership of such shares except to the extent of their pecuniary interest. Mr. Anderson also serves as a member of our board of directors. The address of NBVP IV-A, L.P. and NBVP IV-B is c/o North Bridge Venture Partners, 950 Winter Street, Suite 4600, Waltham, MA 02451. We obtained information regarding the beneficial ownership of these shares solely from Amendment No. 2 to the Schedule 13G, filed with the SEC on February 5, 2009 by NBVM GP, North Bridge Venture Management IV, L.P., North Bridge Venture Partners IV A, L.P., North Bridge Venture Partners IV B, L.P., Edward T. Anderson and Richard A. D Amore.

(3) Consists of 2,576,238 shares held of record by Highland Capital Partners V Limited Partnership (Highland Capital V), 664,128 shares held of record by Highland Capital Partners V-B Limited Partnership (Highland Capital V-B), 408,692 shares held of record by Highland Entrepreneurs Fund V Limited Partnership (Highland Entrepreneurs Fund and together with Highland Capital V and Highland Capital V-B, the Highland Investing Entities). Highland Management Partners V Limited Partnership (HMP) is the general partner of Highland Capital V and Highland Capital V-B. HEF V Limited Partnership (HEF) is the general partner of Highland Entrepreneurs Fund. Highland Management Partners V, Inc. (Highland Management) is the general partner of both HMP and HEF. Sean M. Dalton, a member of our board of directors, Robert F. Higgins, Paul A. Maeder and Daniel J. Nova are the managing directors of Highland Management (together, the Managing Directors). Highland Management, as the general partner of the general partners of the Highland Investing Entities, may be deemed to have beneficial ownership of the shares held by the Highland Investing Entities. The Managing Directors have shared voting and investment control over all the shares held by the Highland Investing Entities and therefore may be deemed to share beneficial ownership of the shares held by Highland Investing Entities by virtue of their status as controlling persons of Highland Management. Each of the Managing Directors, including Mr. Dalton, disclaims beneficial ownership of the shares held by the Highland Investing Entities, except to the extent of such Managing Director s pecuniary interest therein, if any. The address for the entities affiliated with Highland Capital Partners is 92 Hayden Avenue, Lexington, MA 02421. We obtained information regarding the beneficial ownership of these shares solely from Amendment No. 1 to the Schedule 13G, , filed with the SEC on February 13, 2009 by Highland Capital Partners V Limited Partnership, Highland Capital Partners V-B Limited Partnership, Highland Entrepreneurs Fund V Limited Partnership, HEF V Limited Partnership, Highland Management Partners V Limited Partnership, Highland Management Partners V, Inc., Robert F. Higgins, Paul A. Maeder, Daniel J. Nova and Sean M. Dalton.

(4) Of the 9,231,664 shares of common stock deemed beneficially owned, FMR LLC reports sole voting power as to 12,100 shares. Various persons have the right to receive or the power to direct the receipt of dividends

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from, or the proceeds from the sale of, the 9,231,664 shares of common stock. No one person s interest in the 9,231,664 shares of common stock is more than 5% of the total outstanding common stock. We obtained information regarding the beneficial ownership of these shares solely from Amendment No. 1 to the Schedule 13G, filed with the SEC on February 17, 2009 by FMR LLC jointly with its affiliate, Edward C. Johnson III. The address of FMR LLC is 82 Devonshire Street, Boston, MA 02109.

(5) Includes 769,165 shares issuable to Mr. Dahod upon exercise of stock options, 284,187 shares held by Shamim Dahod, Mr. Dahod s wife, 4,415,316 shares held by Nooril-Iman, LP, a Delaware limited partnership and 23,012 shares held by Nooril-Iman Management, LLC, a Delaware limited liability company. Mr. Dahod and Shamim Dahod are co-owners and co-managers of Nooril-Iman Management, LLC, the General Partner of Nooril-Iman, LP, and may be deemed to share voting and investment power with respect to the shares held by Nooril-Iman, LP and Nooril-Iman Management, LLC. Mr. Dahod disclaims beneficial ownership of the shares held by Nooril-Iman, LP and Nooril-Iman Management, LLC except to the extent of his pecuniary interest, if any.

(6) Includes 91,940 shares issuable to Mr. Kahhale upon exercise of stock options and 100,000 shares held in a family trust. Mr. Kahhale is the trustee of the trust and may be deemed to have voting and investment power with respect to the shares held by the trust. Mr. Kahhale disclaims beneficial ownership of the shares held by the trust except to the extent of his pecuniary interest, if any.

(7) Includes 386,418 shares issuable to Mr. Kathuria upon exercise of stock options.

(8) Includes 99,999 shares issuable to Mr. Maupilé upon exercise of stock options.

(9) Includes shares described in Note (2) above, 66,666 shares of common stock held by Mr. Anderson and 2,120 shares issuable to Mr. Anderson upon exercise of stock options . Mr. Anderson disclaims beneficial ownership of the shares held by the entities affiliated with North Bridge Venture Partners except to the extent of his pecuniary interest therein, if any.

(10) Includes shares described in Note (1) above, 157,671 shares of common stock held by Mr. Barrows and 2,120 shares issuable to Mr. Barrows upon exercise of stock options. Mr. Barrows disclaims beneficial ownership of the shares held by the entities affiliated with Matrix Partners except to the extent of his pecuniary interest therein, if any.

(11) Consists of shares described in Note (3) above, 7,480 shares of common stock held by Mr. Dalton and 39,619 shares issuable to Mr. Dalton upon exercise of stock options. Mr. Dalton disclaims beneficial ownership of the shares held by the entities affiliated with Highland Capital Partners except to the extent of his pecuniary interest therein, if any.

(12) Consists of 51,076 shares issuable to Mr. Desch upon exercise of stock options.

(13) Includes 2,120 shares issuable to Mr. Dolce, Jr. upon exercise of stock options.

(14) Consists of 38,999 shares issuable to Mr. Goldman upon exercise of stock options.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our directors, executive officers and the holders of more than 10% of our common stock to file with the SEC initial reports of ownership of our common stock and other equity securities on a Form 3 and reports of changes in such ownership on a Form 4 or Form 5. Officers, directors and 10% stockholders are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file. To our knowledge, based solely on our review of copies of reports filed by our directors and executive officers pursuant to Section 16(a) or written representations by the persons required to file these reports, we believe that during 2008 all filing requirements of Section 16(a) were satisfied.

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BOARD OF DIRECTORS AND CORPORATE GOVERNANCE INFORMATION

Members of the Board of Directors and Director Nominees

Our board of directors is divided into three classes, with members of each class holding office for staggered three-year terms. There are currently two Class I Directors, whose terms expire at the 2011 Annual Meeting; two Class II Directors, whose terms expire at this Annual Meeting; and three Class III Directors, whose terms expire at the 2010 Annual Meeting (in all cases subject to the election and qualification of their successors or to their earlier death, resignation or removal).

The following table and biographical descriptions set forth information regarding the principal occupation, other affiliations, committee memberships and age of the nominees for election as director and for each director continuing in office, based on information furnished to us by those persons. The following information is as of March 31, 2009, unless otherwise noted.

Name	Age	Position(s)	Term as a Director Ends	Class
Nominees for Election as a Class II Director:				
James A. Dolce, Jr.(2) (3)	46	Director	2009	II
Kenneth A. Goldman(1) (3)	59	Director	2009	II
Directors Continuing in Office:				
Sean M. Dalton(1)	38	Director	2011	I
Matthew J. Desch(2)	51	Director	2011	I
Edward T. Anderson(1)	59	Director	2010	III
Timothy A. Barrows(2) (3)	52	Director	2010	III
Ashraf M. Dahod	58	President and Chief Executive Officer, Director	2010	III

(1) Member of the audit committee.

(2) Member of the compensation committee.

(3) Member of the nominating and governance committee.

Nominees for Election as a Director (Class II Directors)

James A. Dolce, Jr. has served as one of our directors since November 2006. Mr. Dolce is the Chief Executive Officer of VeriVue, Inc., a private telecommunications company, where he has served since November 2006. From July 2002 to April 2006, he served as the Executive Vice President of Field Operations for Juniper Networks, Inc., a networking and security solutions provider. From January 2000 to July 2002, Mr. Dolce served as President and Chief Executive Officer of Unisphere Networks, a provider of data and voice platforms for service providers.

Kenneth A. Goldman has served as one of our directors since February 2006. Mr. Goldman has been the Chief Financial Officer of Fortinet Inc., a provider of Unified Threat Management security systems, since September 2007. From November 2006 to August 2007, Mr. Goldman was the Executive Vice President and Chief Financial Officer of Dexterra, Inc., a provider of mobile enterprise software. From August 2000 to March 2006, Mr. Goldman served as Senior Vice President, Finance and Administration and Chief Financial Officer of Siebel Systems, Inc., a supplier of customer software solutions and services. From December 1999 to December 2003, Mr. Goldman was a member of the Financial Accounting Standards Advisory Council. From July 1996 to July 2000, Mr. Goldman served as Senior Vice President of Finance and Chief Financial Officer of

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Excite@Home, Inc., an Internet service provider. Mr. Goldman is a member of the board of directors of BigBand Networks, Inc., a communications equipment company and Infinera Corporation, a provider of digital optical networking systems to telecommunications carriers.

Directors Continuing in Office

Class I Directors

Sean M. Dalton has served as one of our directors since July 2001. Mr. Dalton has been a Managing General Partner of Highland Capital Partners, a venture capital firm, since December 2005. Mr. Dalton joined Highland Capital Partners in May 1998 as a Senior Associate and became a General Partner in January 2000. Prior to 1998, Mr. Dalton was a Product Manager Internet Services at GTE, a local telephone service provider, where he developed remote access and other network services for internet service providers and large business customers.

Matthew J. Desch has served as one of our directors since June 2006. Mr. Desch is the Chief Executive Officer of Iridium Satellite LLC, a provider of global satellite voice and data communications solutions, where he has served since September 2006. From July 2002 to October 2005, he served as the Chief Executive Officer of Telcordia Technologies, a telecommunications software and services provider. From July 1987 to March 2000, Mr. Desch held several management positions with Nortel Networks, a network communications provider. When Mr. Desch left Nortel Networks in March 2000, he was serving as its Executive Vice President and President, Global Service Providers. Mr. Desch also serves as chairman of the board of directors of Airspan Networks, Inc., a wireless voice and data systems provider.

Class III Directors

Edward T. Anderson has served as one of our directors since August 2000. Mr. Anderson has been the Managing Partner of North Bridge Venture Partners, a venture capital firm, since May 1994. Prior to joining North Bridge Venture Partners, Mr. Anderson was a general partner of ABS Ventures, the venture capital affiliate of Alex Brown & Sons.

Timothy A. Barrows has served as one of our directors since July 2004. Mr. Barrows has been a General Partner at Matrix Partners, a venture capital firm, since September 1985, and the Managing Partner since January 1998.

Ashraf M. Dahod is a co-founder of our company and has served as a director and our President and Chief Executive Officer since August 2000. Prior to founding our company, in 1996, Mr. Dahod co-founded NetCore Systems, Inc., a producer of large-scale, high performance switching products, which was acquired by Tellabs, Inc. in 1999. In 1988, Mr. Dahod co-founded Sigma Network Systems, Inc., a provider of multi-layer, multi-protocol switching systems, and continued to serve in a senior management position with Sigma Network Systems after it was acquired by Standard Microsystems Corporation in 1992. In 1981, Mr. Dahod founded Applitek Corporation, which developed the first cable modem. Applitek was later renamed LANCity and was acquired by Bay Networks, Inc., which was subsequently acquired by Nortel Networks.

Corporate Governance Matters

Our board believes that good corporate governance is important to ensure that our company is managed for the long-term benefit of stockholders. This section describes key corporate governance guidelines and practices that we have adopted. Complete copies of our corporate governance guidelines, committee charters and code of conduct described below are available on the Investors Corporate Governance section of our website at www.starentnetworks.com. Alternatively, you can request a copy of any of these documents by writing to Investor Relations, Starent Networks, Corp., 30 International Place, Tewksbury, Massachusetts 01876.

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Corporate Governance Guidelines

The board has adopted corporate governance guidelines to assist the board in the exercise of its duties and responsibilities and to serve the best interests of our company and our stockholders. These guidelines, which provide a framework for the conduct of the board s business, provide that:

- the principal responsibility of the directors is to oversee our management;
- a majority of the members of our board must be independent directors;
- the independent directors meet regularly in executive session;
- directors have full and free access to our officers and employees and, as necessary and appropriate, independent advisors;
- new directors participate in an orientation program; and
- at least annually our board and its committees will conduct a self-evaluation (including an assessment of the contributions of individual directors) to determine whether they are functioning effectively.

Board Determination of Director Independence

Under Rule 4350 of the Nasdaq Marketplace Rules, a majority of a listed company s board of directors must be comprised of independent directors within one year of listing. In addition, Nasdaq Marketplace Rules require that, subject to specified exceptions, each member of a listed company s audit, compensation and nominating and governance committees be independent and that audit committee members also satisfy independence criteria set forth in Rule 10A-3 under the Securities Exchange Act of 1934, as amended. Under Rule 4200(a)(15) of the Nasdaq Marketplace Rules, a director will only qualify as an independent director if, in the opinion of that company s board of directors, that person does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In order to be considered to be independent for purposes of Rule 10A-3, a member of an audit committee of a listed company may not, other than in his or her capacity as a member of the audit committee, the board of directors, or any other board committee: (1) accept, directly or indirectly, any consulting, advisory, or other compensatory fee from the listed company or any of its subsidiaries; or (2) be an affiliated person of the listed company or any of its subsidiaries.

Based upon information requested from and provided by each director concerning their background, employment and affiliations, including family relationships, our board of directors has determined that none of Messrs. Anderson, Barrows, Dalton, Desch, Dolce or Goldman, representing six of our seven directors, has a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors is independent as that term is defined under Rule 4200(a)(15) of the Nasdaq Marketplace Rules. Our board of directors also determined that Messrs. Anderson, Dalton and Goldman, who comprise our audit committee, Messrs. Barrows, Desch and Dolce, who comprise our compensation committee, and Messrs. Barrows, Dolce and Goldman, who comprise our nominating and governance committee, satisfy the independence standards for those committees established by applicable SEC rules and the Nasdaq Marketplace Rules. In making this determination, the board of directors considered the relationships that each non-employee director has with our company and all other facts and circumstances the board of directors deemed relevant in determining their independence, including the beneficial ownership of our capital stock by each non-employee director.

Director Nomination Process

The process followed by the nominating and corporate governance committee to identify and evaluate director candidates includes requests to board members and others for recommendations, meetings from time to time to evaluate biographical information and background material relating to potential candidates and interviews of selected candidates by members of the committee and our board.

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In considering whether to recommend any particular candidate for inclusion in the board s slate of recommended director nominees, the nominating and corporate governance committee applies the criteria set forth in our Corporate Governance Guidelines. These criteria include the candidate s integrity, business acumen, knowledge of our business and industry, experience, diligence, conflicts of interest and the ability to act in the interests of all stockholders. The committee does not assign specific weights to particular criteria and no particular criterion is a prerequisite for each prospective nominee. We believe that the backgrounds and qualifications of our directors, considered as a group, should provide a composite mix of experience, knowledge and abilities that will assist our board in fulfilling its responsibilities.

Stockholders may recommend individuals to the nominating and corporate governance committee for consideration as potential director candidates by submitting their names, together with appropriate biographical information and background materials and a statement as to whether the stockholder or group of stockholders making the recommendation has beneficially owned more than 5% of our common stock for at least a year as of the date such recommendation is made, to the Chairman of the nominating and corporate governance committee, Starent Networks, Corp., 30 International Place, Tewksbury, Massachusetts 01876. Assuming that appropriate biographical and background material has been provided on a timely basis, the committee will evaluate stockholder-recommended candidates by following substantially the same process, and applying substantially the same criteria, as it follows for candidates submitted by others.

Stockholders also have the right under our bylaws to directly nominate director candidates, without any action or recommendation on the part of the committee or the board, by following the procedures set forth under Stockholder Proposals. If the board determines to nominate a stockholder-recommended candidate and recommends his or her election, then his or her name will be included in our proxy statement and proxy card for the next annual meeting. Otherwise, candidates nominated by stockholders in accordance with the procedures set forth in the by-laws will not be included in our proxy statement and proxy card for the next annual meeting.

Communicating with the Independent Directors

Our board will give appropriate attention to written communications that are submitted by stockholders and will respond if and as appropriate. The Chairman of the board is primarily responsible for monitoring communications from stockholders and for providing copies or summaries of such communications to the other directors as he considers appropriate.

Under procedures approved by a majority of the independent directors, communications are forwarded to all directors if they relate to important substantive matters and include suggestions or comments that the Chairman of the board considers to be important for the directors to know. In general, communications relating to corporate governance and corporate strategy are more likely to be forwarded than communications relating to ordinary business affairs, personal grievances and matters as to which we receive repetitive or duplicative communications.

Stockholders who wish to send communications on any topic to the board should address such communications in care of the Chairman of the Board of Directors, at Starent Networks, Corp., 30 International Place, Tewksbury, Massachusetts 01876.

Board Meetings and Attendance

Our board met seven times during fiscal 2008, either in person or by teleconference. During fiscal 2008, each director attended at least 75% of the aggregate number of board meetings and the number of meetings held by all committees on which he then served.

Our Corporate Governance Guidelines provide that directors are expected to attend the Annual Meeting of Stockholders. One of our directors, Mr. Dahod, attended the 2008 Annual Meeting of Shareholders.

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Board Committees

Our board of directors has established three standing committees an audit committee, a compensation committee and a nominating and governance committee each of which operates under a charter that has been approved by our board of directors. Current copies of each committee s charter are posted on the Investors Corporate Governance section of our website, www.starentnetworks.com.

Audit Committee

The members of our audit committee are Messrs. Anderson, Dalton and Goldman. Our board of directors has determined that each of the members of our audit committee satisfies the requirements for financial literacy under the current requirements of the Nasdaq Global Market rules and regulations. Mr. Goldman is the chairman of the audit committee and is also an audit committee financial expert, as defined by SEC rules and satisfies the financial sophistication requirements of the Nasdaq Global Market. The audit committee met ten times during 2008.

Our audit committee assists our board of directors in its oversight of our accounting and financial reporting process and the audits of our financial statements. The audit committee s responsibilities include:

- appointing, retaining, approving the compensation of, and assessing the independence of, our independent registered public accounting firm;
- overseeing the work of our independent registered public accounting firm, including the receipt and consideration of reports from the firm;
- overseeing our internal control over financial reporting, disclosure controls and procedures and code of business conduct and ethics;
- establishing procedures for the receipt and retention of accounting related complaints and concerns;
- reviewing and discussing with management and the independent registered public accounting firm our annual and quarterly financial statements and related disclosures;
- reviewing our policies and procedures for approving and ratifying related person transactions, including our related person transaction policy;
- meeting independently with our independent registered public accounting firm and management; and
- preparing the audit committee report required by SEC rules.

All audit services to be provided to us and all non-audit services, other than de minimis non-audit services, to be provided to us by our independent registered public accounting firm must be approved in advance by our audit committee.

Compensation Committee

The members of our compensation committee are Messrs. Barrows, Desch and Dolce. Mr. Dolce is the chairman of the compensation committee. The compensation committee met twelve times during 2008.

Our compensation committee assists our board of directors in the discharge of its responsibilities relating to the compensation of our executive officers. The compensation committee s responsibilities include:

- reviewing and approving, or making recommendations to the board of directors with respect to, our chief executive officer s compensation;
- evaluating the performance of our executive officers and reviewing and approving, or making recommendations to the board of directors with respect to, the compensation of our executive officers;

- overseeing and administering, and making recommendations to the board of directors with respect to, our cash bonuses and equity incentive plans;

- reviewing and making recommendations to the board of directors with respect to director compensation; and

- preparing the compensation committee reports required by SEC rules.

The processes and procedures followed by our compensation committee in considering and determining executive and director compensation are described below under the heading Compensation Disclosure and Analysis.

Nominating and Governance Committee

The members of our nominating and governance committee are Messrs. Barrows, Dolce and Goldman. Mr. Barrows is the chairman of the nominating and governance committee. The nominating and governance committee met three times in 2008.

The nominating and governance committee s responsibilities include:

- recommending to the board of directors the persons to be nominated for election as directors or to fill vacancies on the board of directors, and to be appointed to each of the board s committees;

- overseeing an annual review by the board of directors with respect to management succession planning;

- developing and recommending to the board of directors corporate governance principles and guidelines; and

- overseeing periodic evaluations of the board of directors.

The processes and procedures followed by the nominating and governance committee in identifying and evaluating director candidates are described above under the heading Director Nomination Process.

Code of Business Conduct and Ethics

We have adopted a code of business conduct and ethics that applies to all of our employees, officers and directors, including those officers responsible for financial reporting. The code of business conduct and ethics is available on the Company Investors Corporate Governance section of our website, www.starentnetworks.com. In addition, we intend to post on our website all disclosures that are required by law or Nasdaq stock market listing requirement concerning any amendments to, or waivers from, any provisions of the code of business conduct and ethics.

Compensation Committee Interlocks and Inside Participation

None of our executive officers serves as a member of the board of directors or compensation committee, or other committee serving an equivalent function, of any entity that has one or more executive officers who serve as members of our board of directors or our compensation committee. None of the members of our compensation committee is an officer or employee of our company, nor have they ever been an officer or employee of our company.

Policies and Procedures for Related Person Transactions

In April 2007, our board of directors adopted a written related person transaction policy to set forth the policies and procedures for the review and approval or ratification of related person transactions. This policy covers any transaction, arrangement or relationship, or any series of similar transactions, arrangements or

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relationships in which we were or are to be a participant, the amount involved exceeds $120,000, and a related person had or will have a direct or indirect material interest, including, without limitation, purchases of goods or services by or from the related person or entities in which the related person has a material interest, indebtedness, guarantees of indebtedness, and employment by us of a related person.

Any related person transaction proposed to be entered into by us must be reported to our general counsel and will be reviewed and approved by the audit committee in accordance with the terms of the policy, prior to effectiveness or consummation of the transaction, whenever practicable. If our general counsel determines that advance approval of a related person transaction is not practicable under the circumstances, the audit committee will review and, in its discretion, may ratify the related person transaction at the next meeting of the audit committee, or at the next meeting following the date that the related person transaction comes to the attention of our general counsel. Our general counsel, however, may present a related person transaction arising in the time period between meetings of the audit committee to the chair of the audit committee, who will review and may approve the related person transaction, subject to ratification by the audit committee at the next meeting of the audit committee.

In addition, any related person transaction previously approved by the audit committee or otherwise already existing that is ongoing in nature will be reviewed by the audit committee annually to ensure that such related person transaction has been conducted in accordance with the previous approval granted by the audit committee, if any, and that all required disclosures regarding the related person transaction are made.

Transactions involving compensation of executive officers will be reviewed and approved by the compensation committee in the manner specified in the charter of the compensation committee.

A related person transaction reviewed under this policy will be considered approved or ratified if it is authorized by the audit committee in accordance with the standards set forth in this policy after full disclosure of the related person s interests in the transaction. As appropriate for the circumstances, the audit committee will review and consider:

- the related person s interest in the related person transaction;
- the approximate dollar value of the amount involved in the related person transaction;
- the approximate dollar value of the amount of the related person s interest in the transaction without regard to the amount of any profit or loss;
- whether the transaction was undertaken in the ordinary course of business;
- whether the transaction with the related person is proposed to be, or was, entered into on terms no less favorable to us than terms that could have been reached with an unrelated third party;
- the purpose of, and the potential benefits to us of, the transaction; and
- any other information regarding the related person transaction or the related person in the context of the proposed transaction that would be material to investors in light of the circumstances of the particular transaction.

The audit committee will review all relevant information available to it about the related person transaction. The audit committee may approve or ratify the related person transaction only if the audit committee determines that, under all of the circumstances, the transaction is in or is not inconsistent with our best interests. The audit committee may, in its sole discretion, impose conditions as it deems appropriate on us or the related person in connection with approval of the related person transaction.

Related Person Transactions

We did not enter into any related person transactions during the fiscal year ended December 31, 2008.

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Audit Committee Report

The audit committee has reviewed our audited financial statements for the fiscal year ended December 31, 2008 and discussed them with our management and our independent registered public accounting firm.

Our management is responsible for the preparation of our financial statements and for maintaining an adequate system of disclosure controls and procedures and internal control over financial reporting for that purpose. Our independent registered public accounting firm is responsible for conducting an independent audit of our annual financial statements in accordance with generally accepted accounting standards and issuing a report on the results of their audit. The audit committee is responsible for providing independent, objective oversight of these processes.

The audit committee has also received from, and discussed with, our independent registered public accounting firm various communications that our independent registered public accounting firm is required to provide to the audit committee, including the matters required to be discussed by Statement on Auditing Standards No. 61, as amended (AICPA, *Professional Standards*, Vol. 1, AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T. SAS 61, as amended, requires our independent registered public accounting firm to discuss with our audit committee, among other things, the following:

- methods to account for significant unusual transactions;
- the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus;
- the process used by management in formulating particularly sensitive accounting estimates and the basis for the auditors conclusions regarding the reasonableness of those estimates; and
- disagreements with management over the application of accounting principles, the basis for management s accounting estimates and the disclosures in the financial statements.

The audit committee has received the written disclosures and the letter from our registered public accounting firm required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant s communications with the audit committee concerning independence, and has discussed with our registered public accounting firm their independence.

Based on the review and discussions referred to above, the audit committee recommended to our board of directors that the audited financial statements be included in our Annual Report on Form 10-K for the year ended December 31, 2008.

By the Audit Committee of the Board of Directors of Starent Networks, Corp.

Edward T. Anderson

Sean M. Dalton

Kenneth A. Goldman

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MANAGEMENT

Our executive officers and their ages and positions as of March 31, 2009 are set forth below: Generally our board of directors elects our officers annually, although the board or an authorized committee of the board may elect or appoint officers at other times.

Name	Age	Position(s)
Ashraf M. Dahod	58	President and Chief Executive Officer; Chairman
Pierre G. Kahhale	52	Vice President of Worldwide Field Operations
Vijay Kathuria	48	Vice President and General Manager, India
Thierry Maupilé	50	Vice President of Global Marketing and Business Development
Paul J. Milbury	60	Vice President of Operations and Chief Financial Officer
Anthony P. Schoener	48	Vice President of Engineering
Gennady H. Sirota	44	Vice President of Product Management

Ashraf M. Dahod is a co-founder of our company and has served as a director and our President and Chief Executive Officer since August 2000. Prior to founding our company, in 1996, Mr. Dahod co-founded NetCore Systems, Inc., a producer of large-scale, high performance switching products, which was acquired by Tellabs, Inc. in 1999. In 1988, Mr. Dahod co-founded Sigma Network Systems, Inc., a provider of multi-layer, multi-protocol switching systems, and continued to serve in a senior management position with Sigma Network Systems after it was acquired by Standard Microsystems Corporation in 1992. In 1981, Mr. Dahod founded Applitek Corporation, which developed the first cable modem. Applitek was later renamed LANCity and was acquired by Bay Networks, Inc., which was subsequently acquired by Nortel Networks.

Pierre G. Kahhale has served as our Vice President of Worldwide Field Operations since August 2002. From March 2000 to November 2001, Mr. Kahhale served as Chief Executive Officer of Latus Lightworks, Inc., an optical networks company. From May 1981 to March 2000, Mr. Kahhale held several senior North American and European sales and account management positions with Nortel Networks, a network communications provider. When Mr. Kahhale left Nortel Networks in March 2000, he was serving as its Vice President for Wireless Networks in the Americas.

Vijay Kathuria has served as our Vice President and General Manager, India since February 2004. From June 1991 to January 2004, Mr. Kathuria served as Vice President and General Manager of NuLink, Incorporated, an engineering services provider that he co-founded and which we acquired in February 2004.

Thierry Maupilé has served as our Vice President of Global Marketing and Business Development since January 2007. From July 2002 to January 2007, Mr. Maupilé served as Vice President, Business Development of IPWireless Inc., a mobile broadband technology company. From September 1999 to July 2002, Mr. Maupilé served as Vice President (GTSI) of Strategy & Business Development, Global Telecom Solutions Sector, EMEA Region of Motorola, Inc.

Paul J. Milbury has served as our Vice President of Operations and Chief Financial Officer since February 2007. From December 2000 to March 2007, Mr. Milbury served as Vice President and Chief Financial Officer of Avid Technology, Inc., a digital media creation, management, and distribution solutions company. From April 2000 to December 2000, Mr. Milbury served as Chief Financial Officer of iBelong.com, Inc., a company that developed and managed customized Internet portals. Prior to that, Mr. Milbury spent 19 years at Digital Equipment Corporation (now part of Hewlett-Packard Computer Corporation), where in 1995 he became Vice President and Treasurer.

Anthony P. Schoener is a co-founder of our company and has served as our Vice President of Engineering since August 2000. From January 1998 to June 2000, Mr. Schoener served as Director of Software Development at 3Com Corporation, a provider of voice and data networking solutions. From June 1996 to December 1997,

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Mr. Schoener served as Vice President of Engineering for NetGenesis Corp. From January 1990 to March 1996, he served as Director of Software Development at Bay Networks Inc., a provider of network access solutions.

Gennady H. Sirota has served as our Vice President of Product Management since November 2000. From November 1999 to November 2000, Mr. Sirota served as Director of Wireless Product Management, Carrier Systems Group at 3Com Corporation. From January 1987 to November 1999, he served Motorola, Inc., a wireless and broadband communications company, in senior product management and engineering positions. When Mr. Sirota left Motorola in November 1999, he was serving in their product line management organization.

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EXECUTIVE AND DIRECTOR COMPENSATION AND RELATED MATTERS

Compensation Discussion and Analysis

The compensation committee of our board of directors oversees our executive compensation program. The compensation committee consists of three independent directors. That committee has been delegated authority from our board of directors and its activities are be governed by a compensation committee charter. One of the roles of the compensation committee under its charter is to review and approve annually all compensation decisions relating to our executive officers.

The compensation committee utilizes external analyses and other benchmarking to inform the committee s executive compensation decisions. In February 2007, in anticipation of becoming a public company, our board of directors engaged an independent compensation consulting firm, The Wilson Group, to provide our compensation committee with an assessment of our executive compensation compared to our peer companies.

We do not believe that it is appropriate to establish compensation levels solely based on benchmarking. We do believe, however, that information regarding pay practices at other companies is useful in at least two respects. First, we recognize that our compensation practices must be competitive in the marketplace. Second, this marketplace information is one of the many factors that we consider in assessing the reasonableness of compensation. With the assistance of The Wilson Group, in February 2007 we reviewed the compensation levels of our executive officers against compensation levels at peer group companies that were selected based on factors such as industry, revenue, revenue growth and expected market capitalization.

Objectives and Philosophy of Our Executive Compensation Program

The primary objectives of our executive compensation program are to:

- attract, retain and motivate skilled and knowledgeable executive talent;
- ensure that executive compensation is aligned with our corporate strategies and business objectives;
- promote the achievement of key strategic and financial performance measures by linking short- and long-term cash and equity incentives to the achievement of measurable corporate and individual performance goals; and
- align executives incentives with the creation of stockholder value.

To achieve these objectives, we evaluate our executive compensation program with the objective of setting compensation at levels the committee believes to be competitive with those of other companies in our industry. In addition, we intend our executive compensation program to tie a substantial portion of each executive s overall compensation to key strategic, financial and operational goals set by our board of directors, such as bookings growth and operating profit targets. Historically, our compensation committee has considered our financial goals on a company basis and to a lesser extent attainment of individual objectives in determining executive compensation. Our compensation committee also considers recommendations from our Chief Executive Officer and from our Vice President, Global Human Resources regarding annual executive salary increases, annual stock-based awards and bonuses, if any, for review and approval by the compensation committee. Finally, we will continue to provide a portion of our executive compensation in the form of equity awards that vest over time, which we believe will help to retain our executives and to align their interests with those of our stockholders by allowing the executives to participate in the longer term success of our company as reflected in stock price appreciation.

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Components of our Executive Compensation Program

The primary elements of our executive compensation program are:

- base salaries;
- cash bonuses; and
- equity incentive awards.

We do not have any formal or informal policy or target for allocating compensation between long-term and short-term compensation, between cash and non-cash compensation or among the different forms of non-cash compensation. Instead, we have determined subjectively on a case-by-case basis the appropriate level and mix of the various compensation components.

Base salaries. Base salaries are used to recognize the experience, skills, knowledge and responsibilities required of all our employees, including our executives. Base salaries for our executives typically have been set in our offer letter to the executive at the outset of employment. However, from time to time in the discretion of our board of directors consistent with our executive compensation program objectives, base salaries for our executives, together with other components of compensation, are evaluated for adjustment based on an assessment of an executive s performance and compensation trends in our industry.

In January 2008, the compensation committee conducted an evaluation of executive compensation using the peer group information collected in 2007 by The Wilson Group. As a part of that evaluation, the compensation committee of our board of directors decided to increase annual base salaries for the following named executive officers effective January 1, 2008: Mr. Dahod salary increased from $275,000 to $320,000; and Messrs. Milbury, Kahhale and Kathuria salaries increased from $210,000 to $240,000; and Mr. Maupile salary increased from $210,000 to $225,000. The decision to increase those salaries was based principally upon a market check of the base salaries by executive position at other companies in our peer group using the 2007 data. While taking into account that base salary is only one component of our executive compensation, our board of directors concluded that, for purposes of retention, base salaries for our executive officers should be increased to be more competitive with other companies in our peer group.

Cash bonuses. In addition to base salaries, our executives are eligible to receive cash bonuses based on our financial performance measured on an annual basis. There is no written plan for payment of these cash bonuses; however, our offer letter to each executive at the outset of employment sets forth eligibility to receive cash bonuses. These cash bonuses are intended to compensate for an executive s contribution to the achievement of our strategic, operational and financial goals.

For 2008, the target cash bonus percentage for each executive officer, other than Mr. Kahhale, our vice president, worldwide operations (whose bonus is discussed below), was between 50% and 60% of the executive s base salary. However if corporate financial performance measures were exceeded, executives may have received up to 200% of their total target bonus amount. The target cash bonuses were based 50% on the achievement of specific 2008 bookings objectives and 50% on the achievement of specific 2008 operating profit objectives. The cash bonus structure, performance measure targets, performance results and value of each component as a percentage of the target cash bonus were as follows:

Performance Metric	Component Weighting	Threshold	Target (100% Payout)	Maximum (200% Payout)	Actual Achievement during Performance Period
		(in millions, except percentages)			
Operating profits(1)	50%		$ 36.1	$ 47.4	$ 68.7
Annual bookings(2)	50%		(2)	(2)	(2)

Total	100%

(1) Operating profit is not defined under U.S. generally accepted accounting principles (GAAP) and is not a deemed alternative measure of performance under GAAP. Operating profit is equal to income from

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operations but excludes stock-based compensation expense. Actual achievement of operating profit during the performance period adds the following to GAAP income from operations: stock-based compensation $16.5 million.

(2) We do not disclose our bookings. Management believes, and the Compensation Committee concurs, that the bookings performance target and performance results represents confidential business information, the disclosure of which would result in meaningful competitive harm. Actual achievement of our bookings target was 138% for 2008.

For 2008, we achieved our annual bookings target and exceeded our operating profits target by an amount which would have resulted in the cash bonus exceeding 200% of the target bonus for each named executive officer. As a result, payment of these bonuses was capped at 200% of the target amount. Based on the calculated payout at 200% of the target cash bonus payment for each named executive officer, the cash bonus payments to our named executive officers, which were paid in February 2009, were as follows:

Name	Target Cash Bonus (% 2008 Base Salary)		Actual Payment
Ashraf M. Dahod	$ 192,000	(60%)	$ 384,000
Paul J. Milbury	$ 120,000	(50%)	$ 240,000
Vijay Kathuria	$ 120,000	(50%)	$ 240,000
Thierry Maupilé	$ 112,500	(50%)	$ 225,000

Our vice president, worldwide field operations, Mr. Kahhale, was compensated on the same general basis as the other named executive officers with respect to cash bonuses awarded for 2008 except with regard to the amount of cash bonus to be paid in excess of his targeted cash bonus. Once Mr. Kahhale s target bonus was earned, any additional bonus amount was based on the amount by which the annual sales order bookings exceeded target, and was not capped at any predetermined percentage. Based on this formula, Mr. Kahhale received a bonus payment of $1,293,718 for 2008. Because Mr. Kahhale is principally responsible for overseeing the activities of our worldwide sales organization, we believe that providing Mr. Kahhale with a bonus structure that is based on the performance of our sales organization, as measured by sales orders booked, achieves our compensation objectives more effectively than would the cash bonus program established for our other named executive officers.

Equity incentive awards. Our equity award program is the primary vehicle for offering long-term incentives to our executives. Our equity awards to executives have typically been made in the form of stock options or restricted stock, and more recently we have considered offering equity awards in the form of Restricted Stock Units (RSUs). Although we do not have any equity ownership guidelines for our executives, we believe that equity grants provide our executives with a direct link to our long-term performance, create an ownership culture and align the interests of our executives and our stockholders. In addition, the vesting feature of our equity grants should further our objective of executive retention because this feature provides an incentive to our executives to remain in our employ during the vesting period.

In determining the size of equity grants to our executives, our board of directors has considered comparative share ownership of executives in our compensation peer group, our company-level performance, the applicable executive s performance, the amount of equity previously awarded to the executive, the vesting of such awards and the recommendations of management.

We typically make an initial equity award of stock options or restricted stock to new executives in connection with the start of their employment. Grants of equity awards, including those to executives, are all approved by the compensation committee of our board of directors and options are granted with an exercise price equal to the fair market value of our common stock on the date of grant. Typically, the equity awards we grant to our executives vest 25% at the end of the first year and in equal quarterly installments over the succeeding three years. This vesting schedule is consistent with the vesting of stock options granted to other employees.

Typically in the first quarter of each year, at the discretion of our compensation committee and consistent with our executive compensation program objectives, our compensation committee approves new equity awards to reestablish or bolster incentives to retain employees, including executives. In 2008, employees were considered for new grants on a case-by-case basis, including factors such as the number of shares and percentage vested of underlying outstanding grants, performance and market trends.

In determining the equity awards for each of the executives set forth on the table Grants of Plan-Based Awards in 2008 below, our board of directors took into account the previous equity grants and vesting status, company-level performance, the applicable executive s performance and informal benchmarking by executive position against companies in our industry and related industries.

We do not have a program, plan or practice of selecting grant dates for equity compensation to our executive officers in coordination with the release of material non-public information. Equity award grants are made from time to time in the discretion of our board of directors consistent with our executive compensation program objectives.

Benefits and other compensation. We maintain broad-based benefits that are provided to all employees, including medical and dental insurance, life and disability insurance and a 401(k) plan. Other than our patent bonus and employee referral programs to which our corporate officers are not eligible, executives are eligible to participate in all of our employee benefit plans, in each case on the same basis as other full-time employees.

Tax Considerations

Section 162(m) of the Internal Revenue Code of 1986, as amended, generally disallows a tax deduction for compensation in excess of $1.0 million paid to our chief executive officer and our four other most highly paid executive officers. Qualifying performance-based compensation is not subject to the deduction limitation if specified requirements are met. We generally intend to structure the performance-based portion of our executive compensation, when feasible, to comply with exemptions in Section 162(m) so that the compensation remains tax deductible to us. However, our board of directors may, in its judgment, authorize compensation payments that do not comply with the exemptions in Section 162(m) when it believes that such payments are appropriate to attract and retain executive talent.

The compensation committee of our board oversees our executive compensation program. In this role, the compensation committee reviews and approves annually all compensation decisions relating to our executive officers.

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Summary Compensation

The following table sets forth information regarding compensation earned by our chief executive officer, our chief financial officer and each of our three other most highly compensated executive officers during the year ended December 31, 2008. We refer to these executive officers as our named executive officers elsewhere in this proxy statement. Paul Milbury joined our company as chief financial officer on February 5, 2007. The terms of Mr. Milbury s employment arrangement with us are described below under Employment Agreements. Mr. Kathuria was not a named executive officer in either 2006 or 2007.

Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)(2)	All Other Compensation ($) (3)	Total ($)
Ashraf M. Dahod	2008	$ 328,808	$ 384,000		$ 1,091,365		$ 1,804,173
Chief Executive Officer	2007	264,423	185,010		1,117,561		1,566,994
	2006	198,077	103,076		337,791		638,944
Paul J. Milbury	2008	246,692	253,077	$ 419,734	479,104		1,398,607
Vice President of Operations and Chief Financial Officer	2007	180,519	185,210	990,287	206,895		1,562,911
Pierre G. Kahhale	2008	246,692	1,293,718(1)		312,008	62,639(4)	1,915,057
Vice President, Worldwide Field	2007	205,192	1,210,775(1)		221,564		1,637,531
Operations	2006	171,154	854,077(1)		163,275		1,188,506
Vijay Kathuria	2008	246,692	240,000		333,855	58,285(5)	878,832
Vice President, General Manager, India Operations							
Thierry Maupilé,	2008	231,577	225,000	45,605	851,535	$ 38,453(6)	1,392,170
Vice President of Global Marketing and Business Development	2007	201,462	133,287	90,173	506,218	73,459(7)	1,004,599

(1) Mr. Kahhale received a cash bonus in 2008, and commissions rather than cash bonuses in 2007 and 2006.

(2) With the exception of ignoring the impact of the forfeiture rate, these amounts represent the dollar amount of share-based compensation calculated in accordance with SFAS 123R (using the modified prospective transition method, as required by SEC rules) related to grants of options to each named executive officer. These amounts do not represent the actual amounts paid to or realized by the named executive officer during fiscal 2006, 2007 or 2008, as applicable. Ratable amounts expensed for stock options that were granted in years prior to fiscal 2006, 2007 and 2008, as applicable, are also reflected in the table above. For a detailed description of the assumptions used for purposes of determining grant date fair value, see Note 2 to the Financial Statements and Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies and Estimates Stock-Based Compensation, included in our Annual Report on Form 10-K for the year ended December 31, 2008.

(3) We did not pay Other Compensation to such named executive officer, other than Messrs. Kahhale, Kathuria and Maupilé, that exceeded $10,000.

(4) Consists of $62,274 paid in exchange for accrued but unused paid time off and $365 for term life insurance premiums.

(5) Consists of $57,920 paid in exchange for accrued but unused paid time off and $365 for term life insurance premiums.

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(6) Consists of $38,088 and $365 for term life insurance premiums.

(7) Consists of $73,146 of relocation expenses and $313 for term life insurance premiums.

Grants of Plan-Based Awards

The following table sets forth information regarding grants of awards made to our named executive officers during the fiscal year ended December 31, 2008.

Fiscal Year 2008 Grants of Plan-Based Awards

Name	Grant Date	All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise Price of Option Awards ($/share) (1)	Grant Date Fair Value of Stock and Option Awards ($)(2)
Ashraf M. Dahod	3/19/2008		200,000(3)	$ 12.97	$ 1,418,231
Paul J. Milbury	3/19/2008		75,000(3)	$ 12.97	$ 531,837
Pierre G. Kahhale	3/19/2008		60,000(3)	$ 12.97	$ 425,469
Vijay Kathuria	3/19/2008		75,000(3)	$ 12.97	$ 531,837
Thierry Maupilé	3/19/2008		70,000(3)	$ 12.97	$ 496,381

(1) Based on the valuation of our common stock as of the date of grant.

(2) Valuation of these stock and option awards is based on the aggregate dollar amount of share-based compensation recognized for financial statement reporting purposes pursuant to SFAS 123R over the entire term of these awards, except that such amounts do not reflect an estimate of forfeitures related to service-based vesting conditions. The assumptions used by us with respect to the valuation of awards are set forth in Note 2 to the Financial Statements and Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies and Estimates Stock-Based Compensation, included in our Annual Report on Form 10-K for the year ended December 31, 2008.

(3) 25% of the shares underlying this option vested on March 19, 2009 and the remainder vest quarterly in 12 equal installments beginning on June 19, 2009.

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Information Relating to Equity Awards and Holdings

The following table sets forth information regarding outstanding option awards and restricted stock that has not vested held by our named executive officers at December 31, 2008.

Outstanding Equity Awards at 2008 Fiscal Year End

	Option Awards				Stock Awards	
Name	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (#)
Ashraf M. Dahod	437,499	29,167	$ 1.82	7/26/2010(1)		
	262,499	204,167	$ 1.65	9/29/2016(2)		
	35,000	65,000	$ 8.25	4/13/2017(3)		
		200,000	$ 12.97	3/19/2018(4)		
Paul J. Milbury		189,514	$ 5.87	2/8/2017(5)		
					54,236(5)	$ 647,035
		75,000	$ 12.97	3/19/2018(4)		
Pierre G. Kahhale	3,750		$ .30	1/23/2013(6)		
	53,258	56,250	$ 1.65	4/18/2016(7)		
	20,349	43,333	$ 8.25	4/13/2017(3)		
		60,000	$ 12.97	3/19/2018(4)		
Vijay Kathuria	200,000		$ .30	2/14/2014(8)		
	26,666		$ .30	1/23/2013(9)		
	120,624	9,375	$ 1.65	7/26/2015(10)		
	23,333	43,333&n				