

NETGEAR, INC  
Form DEF 14A  
April 23, 2012  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A INFORMATION**

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

**(Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

**NETGEAR, 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



(4) Date Filed:

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**NETGEAR, INC.**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**Wednesday, June 6, 2012**

**10:00 a.m. Pacific Daylight Time**

To Our Stockholders:

The 2012 Annual Meeting of Stockholders of NETGEAR, Inc. will be held on Wednesday, June 6, 2012, at 10:00 a.m. Pacific Daylight Time at our executive offices at 350 East Plumeria Drive, San Jose, California 95134 for the following purposes:

1. To elect nine (9) directors to serve until the next Annual Meeting of Stockholders;
2. To ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2012;
3. To approve the non-binding advisory proposal regarding executive compensation;
4. To approve the NETGEAR, Inc. Amended and Restated 2006 Long-Term Incentive Plan which includes an increase in the number of shares of NETGEAR, Inc. common stock authorized for issuance thereunder by 3,000,000 shares and other changes; and
5. To transact such other business as may properly come before the annual meeting, including any motion to adjourn to a later date to permit further solicitation of proxies, if necessary, or before any adjournment thereof.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice. Stockholders who owned shares of our stock at the close of business on Monday, April 9, 2012 are entitled to attend and vote at the meeting. A complete list of these stockholders will be available during normal business hours for 10 days prior to the meeting at our headquarters located at 350 East Plumeria Drive, San Jose, California 95134. A stockholder may examine the list for any legally valid purpose related to the meeting. The list also will be available during the annual meeting for inspection by any stockholder present at the meeting.

We are pleased to continue to take advantage of the Securities and Exchange Commission's rules that allow issuers to furnish proxy materials to their stockholders over the Internet. We believe these rules allow us to provide you with the information you need while lowering the costs of delivery and reducing the environmental impact of the annual meeting.

Whether or not you plan to attend the annual meeting, we hope you will vote as soon as possible. If you received or requested printed proxy materials, you may vote by mailing a proxy or voting instruction card. If you received a Notice Regarding the Availability of Proxy Materials (the "Notice"), you may vote over the Internet. Please review the instructions on each of your voting options described in the proxy materials, as well as the Notice if you received one.

For the Board of Directors of

NETGEAR, INC.

Patrick C.S. Lo

*Chairman and Chief Executive Officer*

San Jose, California

April 23, 2012

**YOUR VOTE IS IMPORTANT**

**PLEASE VOTE AS PROMPTLY AS POSSIBLE.**

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**NETGEAR, INC.**

**PROXY STATEMENT FOR THE  
2012 ANNUAL MEETING OF STOCKHOLDERS**

**GENERAL INFORMATION**

The enclosed Proxy is solicited on behalf of the Board of Directors of NETGEAR, Inc., a Delaware corporation, for use at the Annual Meeting of Stockholders. The Board of Directors has made these materials available to you on the Internet or in printed proxy materials in connection with the solicitation of proxies for use at its 2012 Annual Meeting of Stockholders, which will take place at 10:00 a.m. Pacific Daylight Time on Wednesday, June 6, 2012 at its executive offices located at 350 East Plumeria Drive, San Jose, California 95134.

This proxy statement contains important information regarding our annual meeting. Specifically, it identifies the proposals on which you are being asked to vote, provides information you may find useful in determining how to vote and describes the voting procedures.

We use several abbreviations in this proxy statement. We may refer to our Company as NETGEAR, we, us or our. The term proxy materials includes this proxy statement and our Annual Report on Form 10-K for the year ended December 31, 2011, as well as the proxy or voter instruction card if you received or requested printed proxy materials.

We are mailing the proxy materials on or about April 23, 2012 to all of our stockholders as of the record date, April 9, 2012. Stockholders who owned NETGEAR common stock at the close of business on April 9, 2012 are entitled to attend and vote at the annual meeting. On the record date, we had approximately 37,909,439 shares of our common stock issued and outstanding and no shares of our preferred stock issued and outstanding. We had 29 stockholders of record as of the record date and our common stock was held by approximately 20,261 beneficial owners.

You may also view this proxy statement, as well as our Annual Report on Form 10-K for the year ended December 31, 2011, online at the following address: <http://materials.proxyvote.com/64111Q>.

**Notice Regarding the Availability of Proxy Materials**

Pursuant to rules adopted by the Securities and Exchange Commission, we have elected to provide access to the proxy materials over the Internet. Accordingly, we are sending a Notice Regarding the Availability of Proxy Materials (the Notice) to some of our stockholders. All stockholders will have the ability to access the proxy materials on the website referred to in the proxy materials and on the website referred to in the Notice. Instructions on how to access the proxy materials over the Internet or to request a printed copy may be found in the Notice.

**Voting Procedures**

As a stockholder, you have the right to vote on certain business matters affecting us. The four proposals that will be presented at the annual meeting, and upon which you are being asked to vote, are discussed in the sections entitled Proposal One, Proposal Two, Proposal Three, and Proposal Four. Each share of NETGEAR common stock you own entitles you to one vote. You can vote by:

returning the proxy or voter instruction card in the envelope provided, if you received or requested printed proxy materials;

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following the instructions on the Notice and voting over the Internet, if you received the Notice; or

attending the annual meeting and voting in person at the annual meeting.



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**Methods of Voting**

*Voting by Mail.* If you received or requested printed proxy materials, then by signing and returning the proxy or voter instruction card according to the enclosed instructions, you are enabling our Chairman and Chief Executive Officer, Patrick C.S. Lo, and our Chief Financial Officer, Christine M. Gorjanc, who are named on the proxy as proxies and attorneys-in-fact, to vote your shares as proxy holders at the meeting in the manner you indicate. We encourage you to sign and return the proxy or voter instruction card even if you plan to attend the meeting. In this way, your shares will be voted even if you are unable to attend the meeting.

Your shares will be voted in accordance with the instructions you indicate on the proxy or voter instruction card. If you submit the proxy or voter instruction card, but do not indicate your voting instructions, your shares will be voted as follows:

FOR the election of the director nominees identified in Proposal One;

FOR the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2012;

FOR the non-binding advisory proposal regarding executive compensation; and

FOR the Amended and Restated 2006 Long-Term Incentive Plan which includes an increase in the number of shares of NETGEAR, Inc. common stock authorized for issuance thereunder by 3,000,000 shares and other changes.

*Voting over the Internet.* If you received the Notice (as described above), you can vote by proxy over the Internet by following the instructions provided on the Notice.

*Voting in Person at the Meeting.* If you plan to attend the annual meeting and vote in person, we will provide you with a ballot at the meeting. If your shares are registered directly in your name, you are considered the stockholder of record and you have the right to vote in person at the meeting. If your shares are held in the name of your broker or other nominee, you are considered the beneficial owner of shares held in your name, but if you wish to vote at the meeting, you will need to bring with you to the annual meeting a legal proxy from your broker or other nominee authorizing you to vote these shares.

To reduce the expenses of delivering duplicate voting materials to our stockholders who may have more than one NETGEAR stock account, we are delivering only one set of the voting materials to certain stockholders who share an address unless otherwise requested. For stockholders receiving printed proxy materials, a separate proxy card is included in the voting materials for each of these stockholders. If you share an address with another stockholder and have received only one set of voting materials, you may request a separate copy of these materials at no cost to you by writing our Company Secretary at NETGEAR, Inc., 350 East Plumeria Drive, San Jose, California 95134, or calling our Company Secretary at (408) 907-8000. For future annual meetings, you may request separate voting materials, or request that we send only one set of voting materials to you if you are receiving multiple copies, by writing our Company Secretary at NETGEAR, Inc., 350 East Plumeria Drive, San Jose, California 95134, or calling our Company Secretary at (408) 907-8000. **You may receive a copy of NETGEAR's Annual Report on Form 10-K for the year ended December 31, 2011, including the Consolidated Financial Statements, schedules and list of exhibits, and any particular exhibit specifically requested by sending a written request to NETGEAR, Inc., 350 East Plumeria Drive, San Jose, California 95134, Attn: Corporate Secretary.**

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### **Revoking Your Proxy**

You may revoke your proxy at any time before it is voted at the annual meeting. In order to do this, you may either:

sign and return another proxy bearing a later date;

provide written notice of the revocation to Andrew W. Kim, our Vice President, Legal and Corporate Development and Company Secretary, at NETGEAR, Inc., 350 East Plumeria Drive, San Jose, California 95134, prior to the time we take the vote at the annual meeting; or

attend the meeting and vote in person.

### **Quorum Requirement**

A quorum, which is a majority of our outstanding shares as of the record date, must be present in order to hold the meeting and to conduct business. Your shares will be counted as being present at the meeting if you appear in person at the meeting, if you vote over the Internet, or if you submit a properly executed proxy or voter instruction card.

### **Votes Required for Each Proposal**

The vote required and method of calculation for the proposals to be considered at the annual meeting are as follows:

*Proposal One Election of Directors.* The nine (9) director nominees receiving the highest number of votes, in person or by proxy, will be elected as directors. You may vote (i) for all nominees, (ii) withhold for all nominees or (iii) withhold for certain nominees by indicating the name(s) of such nominees on your proxy or voter instruction card.

*Proposal Two Ratification of PricewaterhouseCoopers LLP as Independent Registered Public Accounting Firm.* Ratification of PricewaterhouseCoopers LLP as our independent registered public accounting firm will require the affirmative vote of a majority of the shares present at the annual meeting and entitled to vote, in person or by proxy. You may vote for, against, or abstain from voting on this proposal.

*Proposal Three Approval of the Non-Binding Advisory Proposal On Executive Compensation.* Approval of the non-binding advisory proposal on executive compensation will require the affirmative vote of a majority of the shares present at the annual meeting and entitled to vote, in person or by proxy. You may vote for, against, or abstain from voting on this proposal.

*Proposal Four Approval of the Amended and Restated 2006 Long-Term Incentive Plan.* Approval of the Amended and Restated 2006 Long-Term Incentive Plan will require the affirmative vote of a majority of the shares present at the annual meeting and entitled to vote, in person or by proxy. You may vote for, against, or abstain from voting on this proposal.

### **Abstentions and Broker Non-Votes**

If you return a proxy or voter instruction card that indicates an abstention from voting on all matters, the shares represented will be counted as present for the purpose of determining a quorum, but they will not be voted on any matter at the annual meeting. Consequently, if you abstain from voting on Proposals Two, Three or Four, your abstention will have the same effect as a vote against such Proposal(s).

A broker non-vote occurs when a broker holding shares for a beneficial owner does not vote on a particular proposal because the broker does not have discretionary voting power with respect to that item and has not received instructions from the beneficial owner as to how to vote on that proposal. Broker non-votes are counted for the purpose of determining the presence or absence of a quorum but are not counted for determining the number of votes cast for or against a proposal.



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If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of shares held in street name. If you hold your shares in street name it is critical that you cast your vote if you want it to count in the election of directors (Proposal One), the approval of our executive compensation, on an advisory basis (Proposal Three), and the approval of the NETGEAR, Inc. Amended and Restated 2006 Long-Term Incentive Plan (Proposal Four). In the past, if you held your shares in street name and you did not indicate how you wanted your shares voted in the election of directors, your bank, broker or other nominee was allowed to vote those shares on your behalf in the election of directors as they felt appropriate. Recent rule changes eliminate the ability of your bank, broker or other nominee to vote your uninstructed shares in the election of directors on a discretionary basis. Thus, if you hold your shares in street name and you do not instruct your bank, broker or other nominee how to vote in the election of directors, no votes will be cast on your behalf. For more information on this topic, see the Securities and Exchange Commission Investor Alert issued in February 2010 entitled "New Shareholder Voting Rules for the 2010 Proxy Season" at <http://www.sec.gov/investor/alerts/votingrules2010.htm>. Your bank, broker or other nominee will, however, continue to have discretion to vote any uninstructed shares on the ratification of the appointment of our independent registered public accounting firm (Proposal Two).

### **Proxy Solicitation Costs**

We will bear the entire cost of proxy solicitation, including the preparation, assembly, printing and mailing of proxy materials. We expect our Vice President, Legal and Corporate Development and Company Secretary, Andrew W. Kim, to tabulate the proxies and act as inspector of the election. We may reimburse brokerage firms, custodians, nominees, fiduciaries and other persons representing beneficial owners of Common Stock for their reasonable expenses in forwarding solicitation material to such beneficial owners. Our directors, officers and employees may also solicit proxies in person or by other means of communication. Such directors, officers and employees will not be additionally compensated but may be reimbursed for reasonable out-of-pocket expenses in connection with such solicitation.

### **Deadline for Receipt of Stockholder Proposals for 2013 Annual Meeting**

As a stockholder, you may be entitled to present proposals for action at a forthcoming meeting if you comply with the requirements of the proxy rules established by the Securities and Exchange Commission. Proposals by our stockholders intended to be presented for consideration at our 2013 Annual Meeting of Stockholders must be received by us no later than December 24, 2012 (120 calendar days prior to the anniversary of the mailing date of this proxy statement), in order that they may be included in the proxy statement and form of proxy related to that meeting. The submission of the stockholder proposal does not guarantee that it will be included in our 2013 proxy statement.

The Securities and Exchange Commission rules establish a different deadline with respect to discretionary voting for stockholder proposals that are not intended to be included in a company's proxy statement. The proxy card grants the proxy holders discretionary authority to vote on any matter raised at the annual meeting. The discretionary vote deadline for our 2013 Annual Meeting is March 9, 2013, which is 45 calendar days prior to the anniversary of the mailing date of this proxy statement. If a stockholder gives notice of a proposal after the discretionary vote deadline, our proxy holders will be allowed to use their discretionary voting authority to vote against the stockholder proposal when and if the proposal is raised at our 2013 Annual Meeting.

In addition, our amended and restated bylaws establish an advance notice procedure with regard to specified matters, including stockholder proposals and director nominations, which are proposed to be properly brought before an Annual Meeting of Stockholders. To be timely, a stockholder's notice shall be delivered no less than 120 days prior to the date of the annual meeting specified in the proxy statement provided to stockholders in connection with the preceding year's annual meeting, which is February 6, 2013 in connection with our 2013 Annual Meeting of Stockholders. In the event that no annual meeting was held in the previous year or the date of the annual meeting is changed by more than 30 days from the date contemplated at the time of the previous

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year's proxy statement, notice by the stockholder must be received not later than the tenth business day following the day notice of the date of the meeting was mailed or public disclosure was made, whichever occurs first. A stockholder's notice shall include: (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and address of the stockholder proposing such business, (iii) the class and number of shares of our stock which are beneficially owned by the stockholder, (iv) any material interest of the stockholder in such business and (v) any other information required by the Securities Exchange Act of 1934, as amended (the "1934 Act"). In addition, if a stockholder wishes to nominate a candidate for director, the stockholder's notice shall also include the following information for the candidate: (i) name, age, business address and residence address of such nominee, (ii) principal occupation or employment of such nominee, (iii) class and number of shares of our stock beneficially owned by such nominee, (iv) description of all arrangements between the stockholder and the nominee and (v) any other information required by the 1934 Act (including the candidate's written consent to being named in the proxy statement as a nominee and to serving as a director if elected). A copy of the full text of our amended and restated bylaws is available from our Corporate Secretary upon written request. Proposals should be sent to our Corporate Secretary, c/o NETGEAR, Inc., 350 East Plumeria Drive, San Jose, California 95134.

**Stockholder Communications to Directors**

Stockholders may communicate directly with any of our directors by writing to them c/o NETGEAR, Inc., 350 East Plumeria Drive, San Jose, California 95134. Unless the communication is marked "confidential," our Company Secretary will monitor these communications and provide appropriate summaries of all received messages to the Chairperson of our Nominating and Corporate Governance Committee. Any stockholder communication marked "confidential" will be logged as "received" but will not be reviewed by the Company Secretary. Such confidential correspondence will be immediately forwarded to the Chairperson of the Nominating and Corporate Governance Committee for appropriate action. Where the nature of a communication concerns questionable accounting or auditing matters, such communication will be directed to the Audit Committee and our Company Secretary will log the date of receipt of the communication as well as (for non-confidential communications) the identity of the correspondent in the Company's records.

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The nine nominees for election at the Annual Meeting of Stockholders are Patrick C.S. Lo, Jocelyn E. Carter-Miller, Ralph E. Faison, A. Timothy Godwin, Jef Graham, Linwood A. Lacy, Jr., Gregory J. Rossmann, Barbara V. Scherer and Julie A. Shimer. If elected, they will each serve as a director until the Annual Meeting of Stockholders in 2013, and until their respective successors are elected and qualified or until their earlier resignation or removal. Barbara V. Scherer, a current member of the Board of Directors, was elected to serve as a director on August 7, 2011 by the Board of Directors.

Unless otherwise instructed, the proxy holders will vote the proxies received by them for election of all of the director nominees, all of whom currently serve as directors. In the event the nominees are unable or decline to serve as a director at the time of the annual meeting, the proxies will be voted for any nominee who shall be designated by the present Board of Directors to fill the vacancy. We are not aware that any nominee will be unable or will decline to serve as a director. In the event that additional persons are nominated for election as directors, the proxy holders intend to vote all proxies received by them in such a manner as to assure the election of the nominees listed above.

**Vote Required**

If a quorum is present and voting, the nine nominees receiving the highest number of votes will be elected to our Board of Directors. Stockholders are not entitled to cumulative voting in the election of directors.

**Information Concerning the Nominees and Incumbent Directors**

The name and age of the nominees and incumbent directors as of March 23, 2012, the principal occupation of each and the period during which each has served as our director are set forth below. Information as to the stock ownership of each of our directors and all of our current directors and executive officers as a group is set forth below under Security Ownership of Certain Beneficial Owners and Management.

<b>Name</b>	<b>Age</b>	<b>Office</b>	<b>Director Since</b>
Patrick C.S. Lo	55	Chairman and Chief Executive Officer/Nominee	2000
Jocelyn E. Carter-Miller	54	Director/Nominee	2009
Ralph E. Faison	53	Director/Nominee	2003
A. Timothy Godwin	62	Director/Nominee	2003
Jef Graham	56	Director/Nominee	2005
Linwood A. Lacy, Jr.	66	Director/Nominee	2002
Gregory J. Rossmann	50	Director/Nominee	2002
Barbara V. Scherer	56	Director/Nominee	2011
Julie A. Shimer	59	Director/Nominee	2007

*Patrick C.S. Lo* is our co-founder and has served as our Chairman and Chief Executive Officer since March 2002. Patrick founded NETGEAR with Mark G. Merrill with the singular vision of providing the appliances to enable everyone in the world to connect to the high speed internet for information, communication, business transactions, education, and entertainment. From 1983 until 1995, Mr. Lo worked at Hewlett-Packard Company, where he served in various management positions in sales, technical support, product management, and marketing in the U.S. and Asia. Mr. Lo was named the Ernst & Young National Technology Entrepreneur of the Year in 2006. Mr. Lo received a B.S. degree in electrical engineering from Brown University. Mr. Lo's experience as a founder and Chief Executive Officer of the Company gives him unique insights into the Company's challenges, opportunities and operations.

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*Jocelyn E. Carter-Miller* has served as one of our directors since January 2009. From 2004 to the present, Ms. Carter-Miller has served as President of TechEdVentures, Inc., a community empowerment firm that educates and inspires children, families and communities through the development and management of charter schools and community-based programs. From February 2002 until March 2004, Ms. Carter-Miller served as Executive Vice President and Chief Marketing Officer of Office Depot, Inc. Prior to that, she spent a decade with Motorola, initially as a Director of Marketing and Network Service Quality and ultimately as Corporate Vice President and Chief Marketing Officer. She also spent eight years at Mattel in marketing, product development and strategic business planning roles. Ms. Carter-Miller is a member of the Board of Directors of the Principal Financial Group, Inc., the Interpublic Group of Companies, Inc. and a non-profit organization. Ms. Carter-Miller holds a B.A. degree in Accounting from the University of Illinois and an M.B.A. from the University of Chicago. Ms. Carter-Miller provides in-depth understanding of marketing to home users and small businesses based on her extensive marketing and executive experience. Her experience on the boards of large public companies provides important perspective of governance and other practices to be applied to NETGEAR.

*Ralph E. Faison* has served as one of our directors since August 2003. Mr. Faison has been the President and Chief Executive Officer and member of the Board of Directors of Pulse Electronics Corporation, a public company and manufacturer of electronic components, since January 2011, including Chairman of the Board Directors since March 2011. From February 2003 to December 2007, Mr. Faison served as Chief Executive Officer of Andrew Corporation, a public company and a manufacturer of communications equipment and systems, and from June 2002 to December 2007, Mr. Faison also served as President and a director of Andrew Corporation. From June 2002 to February 2003, Mr. Faison served as Chief Operating Officer of Andrew Corporation. From June 2001 to June 2002, Mr. Faison served as President and Chief Executive Officer of Celiant Corporation, a manufacturer of power amplifiers and wireless radio frequency systems, which was acquired by Andrew Corporation in June 2002. From October 1997 to June 2001, Mr. Faison was Vice President of the New Ventures Group at Lucent Technologies, a communications service provider, and from 1995 to 1997, he was Vice President of advertising and brand management at Lucent Technologies. Prior to joining Lucent, Mr. Faison held various positions at AT&T, a voice and data communications company, including as Vice President and General Manager of AT&T's wireless business unit and manufacturing Vice President for its consumer products unit in Bangkok, Thailand. Mr. Faison received a B.A. degree in Marketing from Georgia State University and an M.S. degree in Management as a Sloan Fellow from Stanford University. Mr. Faison has extensive experience in managing a large international company. He is well versed in the complex manufacturing and distribution systems of an international company. As a public company Chairman and Chief Executive Officer, he advises the Company on many aspects of public company management.

*A. Timothy Godwin* has served as one of our directors since August 2003. Mr. Godwin currently is a private investor. From July 1989 to January 1997, Mr. Godwin worked at Tech Data Corporation, an information technology products distributor, in various capacities including serving as a member of its Board of Directors, Vice Chairman, focusing on worldwide finance and administration, President and Chief Operating Officer, Chief Financial Officer and Senior Vice President of Finance. From 1974 to June 1989, Mr. Godwin was employed by Price Waterhouse (now part of PricewaterhouseCoopers LLP), most recently as an audit partner from July 1987 to June 1989. Mr. Godwin is a Certified Public Accountant and received a B.S. degree in Accounting from the University of West Florida. Mr. Godwin brings many years of public accounting experience both in private practice and as Chief Financial Officer of a large international technology products wholesaler. His experience as President of a large international technology products wholesaler assists the Company in management practices.

*Jef Graham* has served as one of our directors since July 2005. From January 2006 to the present, Mr. Graham has served as the Chairman and Chief Executive Officer of RGB Networks, Inc., a provider of video and bandwidth management products. From July 2005 until January 2006, Mr. Graham served as the Executive Vice President, Application Products Group, of Juniper Networks, Inc., a provider of IP networking and security products. From October 2001 to July 2005, Mr. Graham served as the President and Chief Executive Officer of Peribit Networks Inc., a provider of wide area network optimization appliances, which was acquired by Juniper Networks. Before Peribit, Mr. Graham served as the Senior Vice President of the commercial and consumer

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business units for 3Com Corporation, where he managed networking and connectivity product offerings. From 1993 to 1995, he served as the Chief Executive Officer of Trident Systems, a document management systems integrator. Mr. Graham also worked for Hewlett-Packard Company for 15 years, including ten years in sales and marketing around the world and as general manager of both a hardware and a software division. Mr. Graham holds a B.A. with Honors in Business Studies from Sheffield Hallam University in the United Kingdom. Mr. Graham has in-depth understanding of networking technology products as well as our markets and channels. He also has rich contacts and relationships in the Silicon Valley technology community, which assists the Company in cultivating business relationships and recruiting.

*Linwood A. Lacy, Jr.* has served as one of our directors since September 2002. Mr. Lacy currently is a private investor. From July 1998 to July 2001, Mr. Lacy served as Chairman of 4Sure.com, a direct marketer of computer and technology products. From October 1996 to October 1997, Mr. Lacy served as President and Chief Executive Officer of Micro Warehouse Incorporated, a microcomputer direct-marketing company. From 1985 to May 1996, he served as the Co-Chairman and Chief Executive Officer of Ingram Micro, Inc., a microcomputer products distributor and a then wholly-owned subsidiary of Ingram Industries Inc. From April 1996 to May 1996, Mr. Lacy served as Vice Chairman of Ingram Industries Inc.; from June 1995 to April 1996, he served as its President and Chief Executive Officer; and from December 1993 to June 1995, he served as its President. Mr. Lacy also currently serves as a director of GTSI Corp., an information technology company. Mr. Lacy is a director of several private companies, including Ingram Industries Inc. and Streamlite, Inc. He is also the Chairman of Streamlite, Inc. Mr. Lacy received both a B.S. degree in Chemical Engineering and an M.B.A. from the University of Virginia. Mr. Lacy has served as Chief Executive Officer of a large international technology wholesaler for eleven years and of a large business-to-business computer products reseller. Having served as Chief Executive Officer of two public companies and a member of the board of directors of several technology companies, Mr. Lacy's extensive experience in these positions, including managing large organizations during periods of significant growth, is helpful in understanding marketplace requirements.

*Gregory J. Rossmann* has served as one of our directors since February 2002. Mr. Rossmann currently is a private investor. From November 2007 to January 2009, Mr. Rossmann served as a Managing Director of The Carlyle Group, a private equity firm. From April 2000 to November 2007, Mr. Rossmann served as a Managing Director of Pequot Capital Management, Inc., a private equity firm. From April 1994 to April 2000, Mr. Rossmann served as Managing Director and partner at Broadview International, an investment banking firm. From June 1991 to April 1994, he worked at Dynatech Corporation, a technology holding company, where he served as manager of new business development. Prior to that, he was a co-founder of Telemaster Corporation. Mr. Rossmann is a director of several private companies. Mr. Rossmann received a B.S. degree in Electrical Engineering from the University of Cincinnati and an M.B.A. from Santa Clara University. Mr. Rossmann's extensive technology, private equity, and investment banking experience allows him to provide the Company with unique perspectives and advice on global markets, corporate development, and acquisition initiatives.

*Barbara V. Scherer* has served as one of our directors since August 2011. Ms. Scherer is Senior Vice President, Finance & Administration and Chief Financial Officer of Plantronics, a global leader in audio communication devices for businesses and consumers. In this position, she is responsible for all aspects of the company's financial management, as well as information technology, legal and investor relations. Prior to joining Plantronics in 1997, Ms. Scherer held various executive management positions spanning eleven years in the disk drive industry, was an associate with The Boston Consulting Group, and was a member of the corporate finance team at ARCO in Los Angeles. Ms. Scherer served as a director of Keithley Instruments, a publicly traded test and measurement company, from September 2004 to December 2010, when Keithley was acquired by Danaher Corporation. She also has experience serving on the boards of non-profit organizations. Ms. Scherer received B.A. degrees from the University of California at Santa Barbara and her M.B.A. from the School of Management at Yale University. With extensive hands-on experience in senior management roles with technology growth companies as well as public company board and audit committee service, Ms. Scherer provides the Company with practical and strategic insight into complex financial reporting and management issues as well as significant operational expertise.



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*Julie A. Shimer, Ph.D.* has served as one of our directors since March 2007. Dr. Shimer is currently Chief Innovation Officer of Welch Allyn assisting with the transition of the incoming CEO. She was the immediate past president and Chief Executive Officer of Welch Allyn, a leading manufacturer of frontline medical products and solutions, from March 2007 to April 2012. Prior to Welch Allyn, Dr. Shimer served as president and Chief Executive Officer of Vocera Communications, a provider of wireless communications systems enabling instant voice communication among mobile workers for companies, from September 2001 through February 2007. Dr. Shimer also previously held executive positions at 3Com Corporation from January 2000 through August 2001, most recently serving as vice president and general manager of its networking products. Before joining 3Com, she held executive positions at Motorola, Inc., a wireless and broadband communications company, from 1993 through 1999, where she was vice president and general manager for the paging division, and prior to that post, vice president of its semiconductor products section. Dr. Shimer worked for AT&T Bell Laboratories and Bethlehem Steel Company before joining Motorola. Dr. Shimer is a member of the Board of Directors of Welch Allyn and several other private foundations. Dr. Shimer is non-executive chair of the Empire State Development Corporation. Dr. Shimer is also a member of the Society of Women Engineers and the Institute of Electrical and Electronics Engineers. Dr. Shimer holds a B.S. degree in Physics from Rensselaer Polytechnic Institute and Master's and Doctorate degrees in Electrical Engineering from Lehigh University. Ms. Shimer has extensive experience in the management of development and selling of technology products. She provides important perspectives in business management of these activities. As a past Chief Executive Officer of a large private company, she provides guidance in overall business management to the Company's executives.

There are no family relationships between any director or executive officer. Our Board of Directors has determined that Messrs. Faison, Godwin, Graham, Lacy, Jr. and Rossmann and Mmes. Carter-Miller, Scherer and Shimer are independent under Rule 5602(a)(2) listing standards of the Marketplace Rules of the Nasdaq Stock Market. We strongly encourage the attendance of members of our Board of Directors at the annual meeting. At the 2011 Annual Meeting of Stockholders, all of our current directors who were directors at that time were in attendance in person.

### **Vote Required and Board of Directors Recommendation**

The nine nominees receiving the greatest number of votes of the shares present and entitled to vote at the annual meeting will be elected as directors. **Our Board of Directors has unanimously approved each of the director nominees listed above and recommends that stockholders vote FOR the election of these nominees.**

**Table of Contents****Board and Committee Meetings**

Our Board of Directors held a total of seven meetings during 2011. Our Board of Directors has standing Audit, Compensation and Nominating and Corporate Governance Committees. Each member of the committees meets the independence standards of Rule 5602(a)(2) of the listing standards of the Marketplace Rules of the Nasdaq Stock Market and applicable independence rules of the Securities and Exchange Commission. A majority of our Board of Directors are independent directors, as defined by the Nasdaq Marketplace rules. In 2011, all of our directors attended at least 75% of the meetings of our Board of Directors and any applicable committee on which they served while they were members of our Board of Directors or the applicable committee.

<b>Committee</b>	<b>Year of Inception</b>	<b>Members at the End of 2011</b>	<b>Committee Functions</b>	<b>Meetings Held in 2011</b>
Audit	2000	A. Timothy Godwin (Chair)	Reviews internal accounting procedures	13
		Jocelyn Carter-Miller	Appoints independent registered public accounting firm	
		Linwood A. Lacy, Jr.	Reviews annual audit plan of the independent auditor, the results of the independent audit, and the report and recommendations of the independent auditor	
		Barbara V. Scherer	Evaluates the adequacy of our internal financial and accounting processes and controls	
Compensation	2000	Ralph E. Faison (Chair)	Determines investment policy and oversees its implementation	5
		Jef Graham	Administers our equity plans	
		Gregory J. Rossmann	Reviews and approves compensation of directors and officers, and makes recommendations to the Board with respect thereto	
		Julie A. Shimer	Reviews and recommends general policies relating to compensation and benefits	
Nominating and Corporate Governance	2004	Linwood A. Lacy, Jr. (Chair)	Reviews and recommends general policies relating to compensation and benefits	5
		Ralph E. Faison	Recommends nomination of Board members	
		A. Timothy Godwin	Assists with succession planning for executive management positions	
		Jef Graham	Oversees and evaluates Board performance	
			Evaluates composition, organization and governance of the Board and its committees	

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### **Audit Committee**

Our Board of Directors first adopted a written charter for the Audit Committee in August 2000. A copy of our current amended and restated Audit Committee charter is available on the investor relations section of our website at [www.netgear.com](http://www.netgear.com). Our Audit Committee currently consists of Mr. Godwin, Ms. Carter-Miller, Mr. Lacy, and Ms. Scherer. Our Board of Directors has determined that each of Mr. Godwin, Ms. Carter-Miller, Mr. Lacy, and Ms. Scherer is an audit committee financial expert, as defined in the rules of the Securities and Exchange Commission. Our Board of Directors has determined that Mr. Godwin, Ms. Carter-Miller, Mr. Lacy, and Ms. Scherer are independent under the listing standards of the Nasdaq Stock Market. Mr. Godwin serves as chairman of our Audit Committee.

### **Compensation Committee**

Our Board of Directors first adopted a written charter for the Compensation Committee in August 2000. A copy of our current amended and restated Compensation Committee charter is available on the investor relations section of our website at [www.netgear.com](http://www.netgear.com). Our Compensation Committee currently consists of Mr. Faison, Mr. Graham, Mr. Rossmann and Ms. Shimer, each of whom is a non-management member of our Board of Directors and each is independent under the listing requirements of the Nasdaq Stock Market. Mr. Faison serves as chairman of our Compensation Committee.

### **Nominating and Corporate Governance Committee**

Our Board of Directors formed a Nominating and Corporate Governance Committee and adopted its written charter in April 2004. A copy of our current amended and restated Nominating and Corporate Governance Committee charter is available on the investor relations section of our website at [www.netgear.com](http://www.netgear.com). Our Nominating and Corporate Governance Committee currently consists of Mr. Faison, Mr. Godwin, Mr. Graham and Mr. Lacy. None of the current members of the Nominating and Corporate Governance Committee is an employee of NETGEAR and each is independent under the listing requirements of the Nasdaq Stock Market. Mr. Lacy serves as chairman of our Nominating and Corporate Governance Committee.

### **Policy for Director Recommendations and Nominations**

The Nominating and Corporate Governance Committee considers candidates for Board membership suggested by members of our Board of Directors, management and stockholders. It is the policy of the Nominating and Corporate Governance Committee to consider recommendations for candidates to our Board of Directors from stockholders who have provided the following written information: the candidate's name; home and business contact information; detailed biographical data and qualifications; information regarding any relationships between the candidate and NETGEAR within the last three years; and evidence of the nominating person's ownership or beneficial ownership of NETGEAR stock and amount of stock holdings. The Nominating and Corporate Governance Committee will consider persons recommended by our stockholders in the same manner as a nominee recommended by our Board of Directors, individual Board members or management.

In addition, a stockholder may nominate a person directly for election to our Board of Directors at an annual meeting of our stockholders provided they meet the requirements set forth in our amended and restated bylaws and the rules and regulations of the Securities and Exchange Commission related to stockholder proposals. The process for properly submitting a stockholder proposal, including a proposal to nominate a person for election to our Board of Directors at an annual meeting, is described above in the section entitled "General Information - Deadline for Receipt of Stockholder Proposals for 2013 Annual Meeting."

Where the Nominating and Corporate Governance Committee has either identified a prospective nominee or determines that an additional or replacement director is required, the Nominating and Corporate Governance Committee may take such measures that it considers appropriate in connection with its evaluation of a director candidate, including candidate interviews, inquiry of the person or persons making the recommendation or

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nomination, engagement of an outside search firm to gather additional information, or reliance on the knowledge of the members of the committee, the Board or management. In connection with the appointment of Ms. Scherer to the Board in August 2011, the Company engaged Spencer Stuart, an outside search firm, to assist the Company in identifying and vetting qualified Board candidates. Spencer Stuart provided the Company with a list of potential candidates and worked closely with the Nominating and Corporate Governance Committee in its interviewing process and evaluation of the candidates. In its evaluation of director candidates, including the members of our Board of Directors eligible for re-election, the Nominating and Corporate Governance Committee considers a number of factors, including the following:

the current size and composition of the Board of Directors and the needs of the Board of Directors and the respective committees of the Board; and

such factors as judgment, independence, character and integrity, area of expertise, diversity of experience, length of service, and potential conflicts of interest.

With respect to diversity, the Nominating and Corporate Governance Committee also focuses on various factors such as diversity of gender, race and national origin, education, professional experience and differences in viewpoints and skills. The Nominating and Corporate Governance Committee does not have a formal policy with respect to diversity; however, the Board and the Nominating and Corporate Governance Committee believe that it is essential that the Board members represent diverse viewpoints.

In connection with its evaluation, the Nominating and Corporate Governance Committee determines whether it will interview potential nominees. After completing the evaluation and review, the Nominating and Corporate Governance Committee may nominate the nominee(s) for election to our Board of Directors.

### **Corporate Governance Policies and Practices**

We maintain a corporate governance page on the investor relations section of our website at [www.netgear.com](http://www.netgear.com). This website includes, among other items, profiles of all of our directors and officers, charters of each committee of the Board, our corporate governance guidelines, our code of ethics, the information regarding our whistleblower policy, and our director and officer stock ownership guidelines.

Our policies and practices reflect corporate governance initiatives that are compliant with the listing requirements of the Nasdaq Stock Market and the corporate governance requirements of the Sarbanes-Oxley Act of 2002, including:

A majority of the members of the Board are independent directors, as defined by the Nasdaq Marketplace rules. Independent directors do not receive consulting, legal or other fees from us other than Board and Committee compensation.

Mr. Lacy has served as the lead independent outside director since April 2006.

The independent directors of the Board meet regularly without the presence of management.

The Board has adopted a code of ethics that is applicable to all of our employees, officers and directors. This code is intended to deter wrongdoing and promote ethical conduct. Directors, officers and employees are required to complete annual surveys relating to their knowledge of any violation of legal requirements or the code of ethics. We will post any amendments to, or waivers from, our code of ethics on our website.

Directors stand for re-election every year.

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The Audit, Compensation and Nominating and Corporate Governance Committees each consist entirely of independent directors.

The charters of the Board committees clearly establish their respective roles and responsibilities.

At least annually, the Board reviews our business initiatives, capital projects and budget matters.

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The Audit Committee reviews and approves all related party transactions.

The Board has implemented a process of periodic self-evaluation of the Board and its Committees.

As part of our Whistleblower Policy, we have made a whistleblower hotline available to anyone, including all employees, for anonymous reporting of financial or other concerns. The Audit Committee receives directly, without management participation, all hotline activity reports, including complaints on accounting, internal controls or auditing matters.

Directors are encouraged to attend our annual meeting. While their attendance is not required, at the 2011 Annual Meeting of Stockholders, every one of our directors who was a director at that time was in attendance in person.

Directors and officers are encouraged to hold and own common stock of the company to further align their interests and actions with the interest of our stockholders, pursuant to our director and officer stock ownership guidelines.

## **Board Leadership Structure**

The Board believes that the Company's Chief Executive Officer is best situated to serve as Chairman because he is the director most familiar with the Company's business and industry, and most capable of effectively identifying strategic priorities and leading the discussion about the Company's business. The Board and management have different perspectives and roles in strategy development. The Company's independent directors bring experience, oversight and expertise from outside the Company and from industry, while the Chief Executive Officer brings company-specific experience and expertise. The Board believes that the combined role of Chairman and Chief Executive Officer promotes strategy development and execution, and facilitates information flow between management and the Board, which are essential to effective governance.

One of the key responsibilities of the Board is to develop strategic direction and hold management accountable for the execution of strategy once it is developed. The Board believes the combined role of Chairman and Chief Executive Officer, together with a lead independent director having the duties described below, is in the best interest of stockholders because it provides the appropriate balance between strategy development and independent oversight of management.

## **Lead Independent Director**

Mr. Lacy has served as the lead independent director since April 2006. Mr. Lacy also serves as the chairman of the Nominating and Corporate Governance Committee. As the lead independent director, Mr. Lacy has the responsibility of presiding at all executive sessions of the Board, consulting with the Chairman and Chief Executive Officer on Board and committee meeting agendas, acting as a liaison between management and the non-management directors, including maintaining frequent contact with the Chairman and Chief Executive Officer and advising him or her on the efficiency of the Board meetings, and facilitating teamwork and communication between the non-management directors and management.

## **Director Compensation**

Our non-employee directors receive a \$25,000 annual retainer. The chairperson of the Audit Committee is also paid an additional annual retainer of \$10,000, and each chairperson of our other committees is also paid an additional annual retainer of \$4,000. In addition, the lead independent director receives an additional annual retainer of \$5,000. Retainers are paid on a quarterly basis after the end of each quarter.

Our non-employee directors receive \$1,000 per meeting attended and are entitled to reimbursement of travel (first-class domestic and business-class international) and other related expenses incurred in connection with their attendance at meetings of the Board of Directors and committee meetings. The chairperson of the Audit Committee receives an additional \$1,000 per committee meeting or sub-meeting with management attended, and

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the chairperson of the Compensation Committee and of the Nominating and Corporate Governance Committee each receives an additional \$500 per meeting attended. Meeting fees are aggregated and paid on a quarterly basis after the end of each quarter.

Upon joining the Board, a non-employee director is eligible to receive an initial grant of 8,000 restricted stock units. The restricted stock units will vest 1/3 on each anniversary of the grant date, so that the entire grant will be fully vested over a three year period, subject to continued service through such dates. On an annual basis, a non-employee director who has been with us for at least six months at the time of our annual stockholders meeting is eligible to receive an annual grant of 6,000 restricted stock units, which will be fully vested on the date of the following year's annual stockholders meeting. However, in the past, as a result of an insufficient amount of restricted stock units available for grant, we have also granted a combination of options and restricted stock units in lieu of such annual grant of 6,000 restricted stock units. The exercise price per share of the options was the closing price of the Company's common stock on the Nasdaq Stock Market on the date of grant. The restricted stock units and the options shall all become fully vested on the date of the following year's annual stockholders meeting, subject to continued service through such date.

In order to encourage continuing director education, the Nominating and Corporate Governance Committee has established a budget for director education of \$6,000 over any two-year period for each director. Directors serving on multiple boards are encouraged to obtain pro rata reimbursement of their director education expenses from each corporation that they serve.

**Risk Management**

The Board has an active role, as a whole and also at the committee level, in overseeing management of the Company's risks. The Board regularly reviews information regarding the Company's credit, liquidity and operations, as well as the risks related thereto. The Company's Compensation Committee is generally responsible for overseeing the management of risks relating to the Company's executive compensation plans and arrangements. The Audit Committee oversees management of financial risks. The Nominating and Corporate Governance Committee manages risks associated with the independence of the Board of Directors and potential conflicts of interest. While each committee is responsible for evaluating certain risks and overseeing the management of such risks, the entire Board of Directors is regularly informed through committee reports about such risks. In addition, the Company has a Risk Committee that reports to the Board regarding enterprise risk. The Risk Committee is led by the Company's internal audit team and is composed of department heads across the Company. The Risk Committee meets on a regular basis and reviews enterprise risk across the Company's various functional groups.

**Fiscal Year 2011 Director Compensation**

The following Director Compensation Table sets forth certain information regarding the compensation of our non-employee directors for the 2011 fiscal year.

Name	Fees	Stock	Option	Total (\$)
	Earned In Cash (\$)	Awards (\$) (1)	Awards (\$) (2)	
Jocelyn E. Carter-Miller (3)	\$ 40,000	\$ 228,060	\$	\$ 268,060
Ralph E. Faison (3)	\$ 43,000	\$ 228,060	\$	\$ 271,060
A. Timothy Godwin (3)	\$ 73,000	\$ 228,060	\$	\$ 301,060
Jef Graham (3)	\$ 41,000	\$ 228,060	\$	\$ 269,060
Linwood A. Lacy, Jr. (3)	\$ 60,500	\$ 228,060	\$	\$ 288,560
George G. C. Parker (5)	\$ 18,500	\$	\$	\$ 18,500
Gregory J. Rossmann (3)	\$ 36,000	\$ 228,060	\$	\$ 264,060
Barbara V. Scherer (4)	\$ 15,027	\$ 248,560	\$	\$ 263,587
Julie A. Shimer (3)	\$ 36,000	\$ 228,060	\$	\$ 264,060

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- (1) The amounts included in the Stock Awards column represent the full grant date value of non-option stock awards (restricted stock units) granted in 2011 calculated utilizing the provisions of the authoritative guidance for stock compensation without regard to vesting. For a discussion of the valuation assumptions, see Note 11 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2011. As of December 31, 2011, each Director had the following number of restricted stock units outstanding: Jocelyn E. Carter-Miller, 8,667 units; Ralph E. Faison, 6,000 units; A. Timothy Godwin, 6,000 units; Jef Graham, 6,000 units; Linwood A. Lacy, Jr., 6,000 units; George G. C. Parker, 0 units; Gregory J. Rossmann, 6,000 units; Barbara V. Scherer, 8,000 units; and Julie A. Shimer, 6,000 units.
- (2) The amounts included in the Option Awards column represent the full grant date value of option stock awards granted in 2011 calculated utilizing the provisions of the authoritative guidance for stock compensation without regard to vesting. For a discussion of the valuation assumptions, see Note 11 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2011. As of December 31, 2011, each Director had the following number of options outstanding: Jocelyn E. Carter-Miller, 0; Ralph E. Faison, 0; A. Timothy Godwin, 16,800; Jef Graham, 10,133; Linwood A. Lacy, Jr., 15,000; George Parker, 0; Gregory J. Rossmann, 1,800; Barbara V. Scherer, 0; and Julie A. Shimer, 1,800.
- (3) On May 24, 2011, the date of our 2011 Annual Stockholders Meeting, each of these directors was issued 6,000 restricted stock units, which vest entirely on the date of the next annual meeting of the stockholders. Each of these restricted stock units had a grant date fair value of \$228,060. There were no option stock awards to the directors in 2011.
- (4) On August 7, 2011, Barbara V. Scherer was elected to our Board of Directors and was issued 8,000 restricted stock units, one-third of which vests each year for three years on the anniversary of the grant date. This award had a grant date fair value of \$248,560.
- (5) George G.C. Parker did not stand for re-election to the Board of Directors in connection with our 2011 Annual Stockholders Meeting.

**Director Stock Ownership Guidelines**

Our Board of Directors adopted stock ownership guidelines for our directors and executive officers, effective as of January 1, 2005. The guidelines require our directors to own a minimum of 5,000 shares of NETGEAR common stock. Directors have a five year period in which to achieve the required compliance level. Shares owned directly by a director and unvested restricted stock units are counted toward the guidelines. All of our directors are currently in compliance with the guidelines.

**Compensation Committee Interlocks and Insider Participation**

During 2011, our Compensation Committee consisted of Mr. Faison, Mr. Graham, Mr. Rossmann, and Ms. Shimer, each of whom is a non-management member of our Board of Directors. Our Compensation Committee is responsible for recommending to our Board of Directors salaries, incentives and other forms of compensation for officers and other employees. None of the members of the Compensation Committee is currently or has been at any time an officer or employee of NETGEAR or a subsidiary of NETGEAR. There were no interlocks or insider participation between any member of the Board of Directors or Compensation Committee and any member of the Board of Directors or Compensation Committee of another company.



**Table of Contents****PROPOSAL TWO****RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED****PUBLIC ACCOUNTING FIRM**

In accordance with its charter, the Audit Committee has selected PricewaterhouseCoopers LLP, independent registered public accounting firm, to audit our financial statements for the fiscal year ending December 31, 2012 and, with the endorsement of our Board of Directors, recommends to stockholders that they ratify that appointment. PricewaterhouseCoopers LLP served in this capacity for the year ended December 31, 2011. A representative of PricewaterhouseCoopers LLP will be present at the annual meeting and will have the opportunity to make a statement if he or she desires to do so and be available to answer any appropriate questions.

**Audit and Related Fees**

The following table is a summary of the fees billed to us by PricewaterhouseCoopers LLP for professional services for the years ended December 31, 2011 and December 31, 2010:

<b>Fee Category</b>	<b>2011 Fees</b>	<b>2010 Fees</b>
Audit Fees	\$ 1,455,023	\$ 1,360,041
Audit-Related Fees	\$ 10,755	\$ 19,713
Tax Fees	\$ 152,213	\$ 187,112
All Other Fees	\$ 3,600	\$ 3,000
<b>Total Fees</b>	<b>\$ 1,621,591</b>	<b>\$ 1,569,866</b>

*Audit Fees.* Consists of fees billed for professional services rendered for the audit of our consolidated financial statements and internal control over financial reporting and review of our quarterly interim consolidated financial statements, as well as services that are normally provided by PricewaterhouseCoopers LLP in connection with statutory and regulatory filings or engagements.

*Audit-Related Fees.* Consists of fees billed for consultations in connection with Sarbanes-Oxley compliance, as well as financial accounting and reporting standards.

*Tax Fees.* Consists of fees billed for professional services including assistance regarding federal, state and international tax compliance and related services, as well as professional services for tax advice and tax planning.

*All Other Fees.* Consists of fees billed for use of an online accounting research tool provided by PricewaterhouseCoopers LLP.

Before selecting and prior to determining to continue its engagement for 2012 with PricewaterhouseCoopers LLP, the Audit Committee carefully considered PricewaterhouseCoopers LLP's qualifications as an independent registered public accounting firm. This included a review of the qualifications of the engagement team, the quality control procedures the firm has established, as well as its reputation for integrity and competence in the fields of accounting and auditing. The Audit Committee's review also included matters required to be considered under the Securities and Exchange Commission's rules on auditor independence, including the nature and extent of non-audit services, to ensure that the auditors' independence will not be impaired. The Audit Committee pre-approves all audit and non-audit services provided by PricewaterhouseCoopers LLP, or subsequently approves non-audit services in those circumstances where a subsequent approval is necessary and permissible. All of the services provided by PricewaterhouseCoopers LLP described under Audit-Related Fees, Tax Fees, and All Other Fees were pre-approved by the Audit Committee. The Audit Committee of our Board of Directors has determined that the provision of non-audit related services by PricewaterhouseCoopers LLP is compatible with maintaining the independence of PricewaterhouseCoopers LLP as our independent registered public accounting firm.

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**Vote Required and Board of Directors Recommendation**

Stockholder ratification of the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm is not required by our amended and restated bylaws or other applicable legal requirement. However, our Board of Directors is submitting the selection of PricewaterhouseCoopers LLP to the stockholders for ratification as a matter of good corporate practice. If the stockholders fail to ratify the selection, our Audit Committee and Board of Directors will reconsider whether or not to retain that firm. Even if the selection is ratified, the Audit Committee at its discretion may direct the appointment of a different independent registered public accounting firm at any time during the year if it determines that such a change would be in our best interests and in the best interests of our stockholders.

The affirmative vote by a majority of shares present in person or by proxy at the annual meeting and entitled to vote is required to approve this proposal. **Our Board of Directors has unanimously approved this proposal and recommends that stockholders vote FOR the ratification of the selection of PricewaterhouseCoopers LLP as independent registered public accounting firm.**

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**PROPOSAL THREE**

**ADVISORY VOTE ON EXECUTIVE COMPENSATION**

Executive compensation is an important matter for NETGEAR and our stockholders. This proposal gives our stockholders the opportunity to cast an advisory vote on compensation to our executive officers set forth in the Summary Compensation Table (the Named Executive Officers).

Our executive compensation programs aim to address a number of objectives, such as attracting and retaining highly qualified executive officers, rewarding individual contribution, loyalty, teamwork and integrity, and motivating our Named Executive Officers to achieve returns for our stockholders. We believe our compensation program is strongly aligned with the long-term interests of our stockholders. Furthermore, we believe that the various elements of our executive compensation program combine to promote our goal of ensuring that total compensation should be related to both NETGEAR's performance and individual performance.

We urge you to carefully read the Compensation Discussion and Analysis (CD&A) section of this proxy statement for additional information regarding our executive compensation, including our compensation philosophy and objectives and the 2011 compensation of the Named Executive Officers. The following highlights important aspects of executive compensation with respect to our Named Executive Officers in fiscal year 2011:

Approximately 75% of total compensation for executive officers is variable and tied to achievement of internal performance targets or Company performance;

We granted long-term equity awards (four-year standard vesting) that link the interests of our Named Executive Officers with those of our stockholders;

Named Executive Officers are not entitled to any tax gross-up treatment on any severance, change-of-control benefits or other benefits; and

We have clawback provisions for the executive bonus plan for Named Executive Officers and stock option and restricted stock unit award agreements for Named Executive Officers.

We believe the compensation program for the Named Executive Officers is instrumental in helping us achieve our strong financial performance. In 2011 our revenue grew to \$1.18 billion, representing an increase of \$278.9 million, or 30.9% over the prior year. Net income grew to \$91.4 million in 2011, an increase of \$40.5 million or 79.5% over the prior year. Our strong earnings and operational excellence helped drive a cash, cash equivalents and short-term investments balance at the end of 2011 of \$353.7 million, an increase of \$83.0 million over the prior year-end.

**We request stockholder approval of the compensation of our Named Executive Officers as disclosed pursuant to the requirements of Section 14A of the 1934 Act and the Securities and Exchange Commission's compensation disclosure rules (which disclosure includes the Compensation Discussion and Analysis, the compensation tables and the narrative disclosures that accompany the compensation tables). Accordingly, we ask our stockholders to vote FOR the following resolution at the Annual Meeting:**

RESOLVED, that the Company's stockholders approve, on an advisory basis, the compensation of the Named Executive Officers, as disclosed in the Company's Proxy Statement for the Annual Meeting of Stockholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the compensation tables and the other related disclosure.

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**Vote Required and Board of Directors Recommendation**

As an advisory vote, this proposal is not binding upon the Company. However, the Compensation Committee, which is responsible for designing and administering our executive compensation program, values the opinions expressed by stockholders in their vote on this proposal and will consider the outcome of the vote when making future compensation decisions for Named Executive Officers. The Company intends to conduct an advisory vote to approve the Company's executive compensation annually. The next such vote will be conducted at our 2013 Annual Meeting of Shareholders.

The affirmative vote by a majority of shares present in person or by proxy at the annual meeting and entitled to vote is required to approve this proposal. **Our Board of Directors has unanimously approved this proposal and recommends that stockholders vote FOR the approval of the compensation of our Named Executive Officers.**

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**PROPOSAL FOUR**

**APPROVAL OF THE NETGEAR, INC. AMENDED AND RESTATED 2006 LONG-TERM INCENTIVE PLAN**

Our Board of Directors ( Board ) has approved and is recommending to stockholders an amendment and restatement to the NETGEAR, Inc. Amended and Restated 2006 Long-Term Incentive Plan (the 2006 Plan ) to increase the number of shares available for issuance under the existing 2006 Plan and make certain other changes as described herein. A total of 6,500,000 shares of our common stock are currently authorized for issuance under the 2006 Plan. As part of the amendment and restatement, the Board approved an increase in the number of shares of NETGEAR common stock authorized for sale by 3,000,000 shares so that a total of 9,500,000 shares are reserved, subject to stockholder approval at the Annual Meeting. As of March 23, 2012, without giving effect to the proposed amendment and restatement, a total of 322,343 shares were available for grant under the existing version of the 2006 Plan. If the amended and restated 2006 Plan is not approved, the existing version of the 2006 Plan will continue by its terms until its share reserve runs out or its ten-year term expires.

We recognize that certain provisions of the existing 2006 Plan potentially make it more costly to our stockholders, including the granting awards with an exercise price that is less than the fair market value of the Company s common stock on the date of grant and the recycling of shares that represent payment of the exercise price of stock appreciation rights. Accordingly, in order to address potential stockholder concerns, each full value equity award (as defined below) will count against the amended and restated 2006 Plan s share reserve as 1.58 shares for every one share subject to such award. For these purposes, a full value equity award is any award pursuant to the 2006 Plan, other than options, stock appreciation rights or other awards which are based solely on an increase in value of our common stock following the date of grant. Also, the amended and restated 2006 Plan clarifies that shares that represent the exercise price of stock appreciation rights will not return the 2006 Plan s share reserve.

We believe that the Company must offer a competitive equity incentive program if it is to successfully attract and retain the best possible candidates for positions of responsibility. The 2006 Plan will provide our Compensation Committee with a range of incentive tools and sufficient flexibility to permit it to grant awards for incentive purposes. The 2006 Plan is also designed to preserve our ability to deduct in full, for federal income tax purposes, the compensation recognized by certain executive officers in connection with certain awards granted under the 2006 Plan. Section 162(m) of the Internal Revenue Code (the Code ) and its related official guidance (collectively, Section 162(m) ) generally denies a corporate tax deduction for annual compensation exceeding \$1 million paid by a publicly held company to its chief executive officer or to any other covered employees as determined under Section 162(m). However, compensation that is deemed to be performance-based under Section 162(m) is generally excluded from this limit. To enable compensation received in connection with stock options and certain stock and restricted stock unit awards granted under the 2006 Plan to qualify as performance-based within the meaning of Section 162(m), the stockholders are being asked to approve certain material terms of the 2006 Plan. By approving the amended and restated 2006 Plan, the stockholders will be approving, among other things:

the eligibility requirements for participation in the 2006 Plan, including the ability of the covered employees to receive awards under the 2006 Plan;

the performance measures upon which the grant or vesting of certain stock and restricted stock unit awards may be based; and

the maximum number of shares for which awards may be granted to covered employees in any fiscal year.

Other than as described in this Proposal Four, the 2006 Plan is not being amended in any other material respect.

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The affirmative vote by a majority of shares present in person or by proxy at the annual meeting and entitled to vote is required to approve these amendments. Our Named Executive Officers and directors set forth in the Summary Compensation Table have an interest in this proposal. A full copy of the amended and restated 2006 Plan incorporating the proposed amendments is attached to this proxy statement as Appendix A.

We believe strongly that the approval of the amended and restated 2006 Plan is essential to our continued success. Our employees are our most valuable assets. Offering a broad-based equity compensation program is vital to attracting and retaining the most highly skilled people in our industry. We believe that employees who have a stake in the future success of our business become highly motivated to achieve our long-term business goals and increase stockholder value. The 2006 Plan is designed to assist in recruiting, motivating and retaining talented employees who help us achieve our business goals, including creating long-term value for stockholders. The 2006 Plan is a significant part of our overall equity compensation strategy, and is one of the primary programs through which our employees may achieve ownership in the Company and thereby share in the success of NETGEAR.

### **Description of the 2006 Plan**

The following discussion is qualified in its entirety by the text of the proposed amended and restated 2006 Plan which is attached to this proxy statement as Appendix A. As of March 23, 2012, the closing price of the per share fair market value of our common stock was \$37.75 per share.

#### ***Administration***

The 2006 Plan is administered and interpreted by the Compensation Committee of our Board, or such other committee as designated by our Board of Directors (in either case, the Committee). The Committee may delegate authority to one or more of our officers to grant awards to employees who are not members of the Board or officers for purposes of Section 16 of the 1934 Act. The Committee has the authority to determine the individuals to whom grants will be made, the time when grants will be made, and the type, size and terms of each grant. Award grants to eligible non-employee directors is determined solely by non-employee directors, without the participation of employee directors or management. Awards granted to a non-employee director will generally be on par with awards granted to all other similarly situated non-employee directors of our Board.

Any material amendment to the 2006 Plan will be subject to stockholder approval. Material amendments would include any increase in the number of shares to be issued under the 2006 Plan other than to reflect a merger, reorganization, stock split or similar corporate event; any increase in the limits applicable to awards under the 2006 Plan other than in connection with a merger, reorganization, stock split or similar corporate event or in connection with Section 162(m); allowing for an exercise price below fair market value on the date of grant of an option or stock appreciation right, unless in compliance with Section 424(a) of the Code; the repricing of outstanding options or stock appreciation rights; and any amendments requiring stockholder approval in accordance with any applicable law, regulation or rule. Any amendment that is not deemed to be a material amendment can be made without stockholder approval.

#### ***Shares Available Under the 2006 Plan***

If the proposed amendment and restatement to the 2006 Plan is approved by the stockholders, a maximum of 9,500,000 shares of our common stock will be reserved for issuance under the 2006 Plan.

In the event of a merger, reorganization, consolidation, recapitalization, stock dividend, stock split, reverse stock split, spin-off, combination, repurchase or exchange of shares, or similar corporate event, the number of shares that can be issued under the 2006 Plan, the number of shares subject to outstanding awards, and any exercise price will be adjusted by the Committee in any manner it deems equitable to prevent dilution or enlargement of the benefits or potential benefits intended under the 2006 Plan.

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Any shares of common stock subject to an award that are forfeited, settled in cash, expires or is otherwise settled without the issuance of shares shall again be available for awards under the 2006 Plan. Shares that are tendered by a participant or retained by the Company as full or partial payment to the Company for the purchase of an award or to satisfy tax withholding obligations in connection with an award shall no longer again be made available for issuance under the 2006 Plan. For purposes of clarity, with respect to stock appreciation rights, all shares covered by an award (i.e., the shares issued upon exercise and the shares that represent payment of the exercise price) will cease to be available for grant under the 2006 Plan.

Each full value equity award will count against the amended and restated 2006 Plan's share reserve as 1.58 shares for every one share subject to such award. If shares subject to a full value equity award are forfeited to the Company and would otherwise return to the 2006 Plan, then 1.58 times the number of shares so forfeited will return to the 2006 Plan and will again become available for issuance.

### ***Eligibility Under the 2006 Plan***

Employees of NETGEAR and its affiliates, consultants who may be retained by NETGEAR and its affiliates, and non-employee members of the Board are eligible to participate in the 2006 Plan. The Committee will select the eligible participants who will participate in the 2006 Plan. As of March 23, 2012, there were approximately 817 employees and eight (8) non-employee members of the Board eligible to participate in the 2006 Plan.

### ***Awards Under the 2006 Plan***

The Committee may make the following types of awards to eligible participants under the 2006 Plan, with terms and conditions to be established by the Committee: stock options, stock appreciation rights, restricted stock awards, performance awards and other stock awards.

*Stock Options.* The Committee will determine the number of options to be granted and the terms applicable to each award, subject to the restrictions set forth in the 2006 Plan. The term of any option may not exceed ten (10) years from the date of grant. The exercise price generally cannot be less than the fair market value of NETGEAR's common stock on the date the option is granted. The 2006 Plan generally prohibits the Committee from reducing the exercise price of any option, whether through amendment, cancellation, replacement, or any other means, after it is granted without stockholder approval.

*Stock Appreciation Rights.* The Committee will determine the number of stock appreciation rights to be granted and the terms applicable to each award, subject to the restrictions set forth in the 2006 Plan. The term of any stock appreciation right may not exceed ten (10) years from the date of grant. The exercise price generally cannot be less than the fair market value of NETGEAR's common stock on the date the stock appreciation right is granted. The 2006 Plan generally prohibits the Committee from reducing the exercise price of any stock appreciation right, whether through amendment, cancellation, replacement, or any other means, after it is granted without stockholder approval.

*Restricted Stock Awards.* The Committee will determine the number of shares or units that will be granted and the terms applicable to each award, provided that the period over which any restricted stock award may fully vest will be no less than three (3) years other than for annual restricted stock awards for directors which fully vest on the date of the annual meeting for the following year, and except that in the event of death, disability, retirement or a change-in-control of NETGEAR, unvested shares may be accelerated on the same terms as other awards in accordance with the terms of the 2006 Plan.

*Performance Awards.* Performance awards can take the form of performance shares or performance units. A performance share means an award denominated in shares of NETGEAR common stock and a performance unit means an award denominated in units having a dollar value or other currency, as determined by the Committee.

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The Committee will determine the number of performance awards that will be granted and will establish the performance goals and other conditions for payment of such performance awards. The period of measuring the achievement of performance goals will be a minimum of twelve (12) months. The performance goals established by the Committee for any participant will be based on one or more of the following criteria: cash flow; cash flow from operations; total earnings; earnings per share, diluted or basic; earnings per share from continuing operations, diluted or basic; earnings before interest and taxes; earnings before interest, taxes, depreciation and amortization; earnings from operations; net asset turnover; inventory turnover; capital expenditures; net earnings; operating earnings; gross or operating margin; profit margin; debt; working capital; return on equity; return on net assets; return on total assets; return on capital; return on investment; return on sales; net or gross sales; market share; economic value added; cost of capital; change in assets; expense reduction levels; debt reduction; productivity; new product introductions; delivery performance; safety record; stock price; and total stockholder return. The performance goals may be determined on an absolute basis or relative to internal goals or to other companies or indices. The Committee shall adjust the performance goals to the extent necessary to prevent dilution or enlargement of any award due to extraordinary events or circumstances or to exclude the effects of extraordinary, unusual or non-recurring items; changes in applicable laws, regulations or accounting principles; currency fluctuations; discontinued operations; non-cash items, such as amortization, depreciation or reserves; asset impairment; or any recapitalization, restructuring, reorganization, merger, acquisition, divestiture, consolidation, spin-off, split-up, combination, liquidation, dissolution, sale of assets or other similar corporate transaction; provided, however, that no such adjustment will be made if the effect of such adjustment would cause an award to fail to qualify as performance-based within the meaning of Section 162(m).

*Other Stock-Based Awards.* The Committee will determine the number of other stock-based awards that will be granted and the terms applicable to each award. Other stock-based awards may include dividend equivalents or amounts which are equivalent to all or a portion of any federal, state, local, domestic or foreign taxes relating to an award, and may be payable in shares, cash, other securities or any other form of property as the Committee may determine.

### ***Awards to Covered Employees***

The 2006 Plan contains additional restrictions and limitations on awards that are intended to satisfy the requirements of performance-based compensation under Section 162(m) of the Code to participants classified as covered employees. No participant may receive an award or awards having an aggregate value of greater than \$3,000,000 for any full fiscal year of NETGEAR, subject to adjustment as described in the 2006 Plan for overlapping performance periods. For stock options and stock appreciation rights, aggregate value is determined by multiplying the fair market value of shares subject to the award by 50%. For performance shares, the aggregate value is the fair market value of shares on the date of grant. For performance units, the aggregate value is the denominated dollar value of the performance units.

If an award to a covered employee under the 2006 Plan is subject to the attainment of performance goals, the Committee shall establish the performance goals within the ninety (90) day period following the commencement of the applicable performance period or such lesser period of time as may be required by Section 162(m) of the Code. The Committee may, in its discretion, reduce the amount of any performance-based award to a covered employee based on any criteria it shall determine. However, the Committee may not increase the amounts payable pursuant to any performance-based award to a covered employee or waive the achievement of the performance goals, except in certain limited circumstances such as death, disability or a change-in-control of NETGEAR.

### ***Termination of Employment***

As discussed above, awards granted under the 2006 Plan generally expire on the date determined by the Committee at the time of the award, subject to earlier expiration as specified in the award agreement, in the event the participant terminates employment with the company prior to that date. Generally, unless determined



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otherwise by the Committee and subject to certain change-in-control provisions, all unvested options, stock appreciation rights and stock awards, and all unpaid performance shares and performance units are forfeited upon termination of service for reasons other than retirement, disability or death.

Upon termination of employment by reason of retirement, disability or death, all unvested options and stock awards become fully vested and any performance shares or performance units become payable to the extent determined by the Committee.

Upon termination by reason of retirement or disability, unless determined otherwise by the Committee, options will be exercisable until not later than the earlier of three years after the termination date or the expiration of their term. Upon termination by reason of death, while employed or after terminating employment by reason of retirement or disability, options will be exercisable by the participant's beneficiary not later than the earliest of one year after the date of death, three years after the date of termination due to retirement or disability, or the expiration of their term. All stock appreciation rights that become vested by reason of retirement, death or disability shall be exercisable as determined by the Committee.

Unless determined otherwise by the Committee, upon termination for any reason other than retirement, disability or death, any options vested prior to termination may be exercised during the three-month period commencing on the termination date, but not later than the expiration of their term. If a participant dies during the post-employment period, the participant's beneficiary may exercise the options (to the extent they were vested and exercisable on the date of employment termination), but not later than the earlier of one year after the date of death or the expiration of their term.

### ***Change-in-Control***

In the event of a change-in-control of NETGEAR, all awards under the 2006 Plan vest and all outstanding performance shares and performance units shall be paid out upon transfer in accordance with the relevant award agreement. Stock appreciation rights that become vested upon a change-in-control shall be exercisable as determined by the Committee. The successor entity may assume fully awards without the consent of any participants.

With respect to awards granted on or after the amendment and restatement of the 2006 Plan in July 2010, if a stock option or stock appreciation right is not assumed or substituted for by the successor entity in a change-in-control, then the Committee will notify an award holder that the stock option or stock appreciation right will be fully vested and exercisable for a period of time determined by the Committee, and terminate after the expiration of such period.

### ***Tax Consequences***

The following description of the federal income tax consequences of awards under the 2006 Plan is a general summary. State, local and other taxes may also be imposed in connection with awards. This discussion is intended for the information of stockholders who are considering how to vote on the 2006 Plan at the annual meeting and not as tax guidance to individuals who participate in the 2006 Plan.

*Nonqualified Stock Options.* No taxable income is reportable when a nonqualified stock option with an exercise price equal to the fair market value of the underlying stock on the date of grant is granted to a participant. Upon exercise, the participant will recognize ordinary income in an amount equal to the excess of the fair market value (on the exercise date) of the shares purchased over the exercise price of the option. Any taxable income recognized in connection with an option exercise by an employee of the Company is subject to tax withholding by the Company. Any additional gain or loss recognized upon any later disposition of the shares would be capital gain or loss.

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*Incentive Stock Options.* No taxable income is reportable when an incentive stock option is granted or exercised (except for purposes of the alternative minimum tax, in which case taxation is the same as for nonqualified stock options). If the participant exercises the option and then later sells or otherwise disposes of the shares more than two years after the grant date and more than one year after the exercise date, the difference between the sale price and the exercise price will be taxed as capital gain or loss. If the participant exercises the option and then later sells or otherwise disposes of the shares before the end of the two- or one-year holding periods described above, he or she generally will have ordinary income at the time of the sale equal to the fair market value of the shares on the exercise date (or the sale price, if less) minus the exercise price of the option.

*Stock Appreciation Rights.* No taxable income is reportable when a stock appreciation right with an exercise price equal to the fair market value of the underlying stock on the date of grant is granted to a participant. Upon exercise, the participant will recognize ordinary income in an amount equal to the amount of cash received and the fair market value of any shares received. Any additional gain or loss recognized upon any later disposition of the shares would be capital gain or loss.

*Restricted Stock Awards, Restricted Stock Units, Performance Awards and other Stock-Based Awards.* A participant generally will not have taxable income at the time restricted stock awards, restricted stock units, performance awards or other stock-based awards are granted. Instead, he or she will recognize ordinary income in the first taxable year in which his or her interest in the shares underlying the award becomes either (i) freely transferable, or (ii) no longer subject to substantial risk of forfeiture. However, the recipient of a restricted stock award may elect to recognize income at the time he or she receives the award in an amount equal to the fair market value of the shares underlying the award (less any cash paid for the shares) on the date the award is granted.

### ***Tax Effect for NETGEAR***

NETGEAR generally will be entitled to a tax deduction in connection with an award under the 2006 Plan in an amount equal to the ordinary income realized by a participant and at the time the participant recognizes such income (for example, the exercise of a nonqualified stock option). Special rules limit the deductibility of compensation paid to NETGEAR's Chief Executive Officer and to certain other covered employees determined in accordance with Section 162(m). Under Section 162(m), the annual compensation paid to any of these specified executives will be deductible only to the extent that it does not exceed \$1,000,000. However, NETGEAR can preserve the deductibility of certain compensation in excess of \$1,000,000 if the conditions of Section 162(m) are met. These conditions include stockholder approval of the 2006 Plan, setting eligibility requirements, setting limits on the number of awards that any individual may receive and for awards other than certain stock options and stock appreciation rights, establishing performance criteria that must be met before the award actually will vest or be paid. The 2006 Plan has been designed to permit the Committee to grant awards that qualify as performance-based for purposes of satisfying the conditions of Section 162(m), thereby permitting NETGEAR to continue to receive a federal income tax deduction in connection with such awards.

### ***Section 409A***

Section 409A of the Code provides certain requirements for non-qualified deferred compensation arrangements with respect to an individual's deferral and distribution elections and permissible distribution events. Awards granted under the Plan with a deferral feature will be subject to the requirements of Section 409A of the Code. If an award is subject to and fails to satisfy the requirements of Section 409A of the Code, the recipient of that award may recognize ordinary income on the amounts deferred under the award, to the extent vested, which may be prior to when the compensation is actually or constructively received. Also, if an award that is subject to Section 409A fails to comply with Section 409A's provisions, Section 409A imposes an additional twenty percent (20%) federal income tax on compensation recognized as ordinary income, as well as interest on such deferred compensation.

**Table of Contents****Plan Benefits**

It is not presently possible to determine the benefits that will be received by participants in the 2006 Plan in fiscal 2012 or in future years. However, set forth below are the awards that were granted under the 2006 Plan during fiscal 2011:

	Option Awards (shares)	Weighted Average Option Exercise Price (\$)	Option Awards (\$ (1))	Stock Awards (shares)	Stock Awards (\$ (2))
Patrick C.S. Lo Chairman and Chief Executive Officer	140,000	34.70	2,061,306		
Christine M. Gorjanc Chief Financial Officer	31,000	34.90	459,409	12,000	397,800
David S. Soares Senior Vice President and General Manager, Retail Business Unit	23,400	35.00	347,956	6,800	225,420
Michael F. Falcon Senior Vice President of Worldwide Operations and Support	23,400	35.00	347,956	6,800	225,420
Shane J. Buckley Senior Vice President and General Manager, Commercial Business Unit	23,400	35.00	347,956	6,800	225,420
Executive officers as a group (9 persons)	294,400	34.86	4,357,255	44,800	1,485,120
Non-executive director group (8 persons)				50,000	1,844,980
Non-executive officers employee group (257 persons)	933,700	34.89	13,755,247	18,400	607,560

- (1) The amounts included in the Option Awards column represent the full grant date value of option stock awards granted in 2011 calculated utilizing the provisions of the authoritative guidance for stock compensation without regard to vesting. For a discussion of the valuation assumptions, see Note 11 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2011.
- (2) The amounts included in the Stock Awards column represent the full grant date value of non-option stock awards (restricted stock units) granted in 2011 calculated utilizing the provisions of the authoritative guidance for stock compensation without regard to vesting. For a discussion of the valuation assumptions, see Note 11 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2011.

**Vote Required and Board of Directors Recommendation**

The affirmative vote by a majority of shares present in person or by proxy at the annual meeting and entitled to vote is required to approve the Amended and Restated NETGEAR 2006 Long-Term Incentive Plan. **The Board has unanimously approved this proposal and recommends that stockholders vote FOR the Amended and Restated NETGEAR 2006 Long-Term Incentive Plan.**

**Table of Contents****SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth certain information with respect to the beneficial ownership of our common stock as of March 23, 2012 by:

each stockholder who we know beneficially owns more than 5% of our common stock;

each of our directors;

each of our Named Executive Officers set forth in the Summary Compensation Table; and

all of our current directors and executive officers as a group.

Beneficial ownership is determined in accordance with the rules and regulations of the Securities and Exchange Commission. In computing the number of shares beneficially owned by a person, and the percentage ownership of that person, shares of common stock subject to stock options held by that person that are currently exercisable or that will become exercisable within 60 days of March 23, 2012, are deemed outstanding. Such shares, however, are not deemed outstanding for the purpose of computing the percentage ownership of any other person.

Unless otherwise indicated below, the address of each beneficial owner listed in the table is c/o NETGEAR, Inc., 350 East Plumeria Drive, San Jose, California 95134. The percentages in the table below are based on 37,903,947 shares of our common stock outstanding as of March 23, 2012. Except as indicated in the footnotes to this table and pursuant to applicable community property laws, to our knowledge, each stockholder named in the table has sole voting and investment power with respect to the shares set forth opposite such stockholder's name. The information provided in this table is based on our records and information filed with the Securities and Exchange Commission, unless otherwise noted.

Name and Address	Number of Shares of Common Stock Beneficially Owned	Number of Shares Underlying Options Beneficially Owned (10)	Total Shares Beneficially Owned	Percentage of Total Shares Beneficially Owned
<b>5% Stockholders:</b>				
Royce & Associates, LLC (1)	3,651,955		3,651,955	9.6%
BlackRock, Inc. (2)	2,801,071		2,801,071	7.4%
Prudential Financial, Inc. (3)	2,178,687		2,178,687	5.7%
The Vanguard Group, Inc (4)	2,096,357		2,096,357	5.5%
Jennison Associates LLC (5)	1,887,417		1,887,417	5.0%
The Bank of New York Mellon Corporation (6)	1,871,801		1,871,801	4.9%
FMR LLC (7)	1,796,748		1,796,748	4.7%
<b>Executive Officers and Directors:</b>				
Patrick C.S. Lo (8)	333,111	491,354	824,465	2.1%
Christine M. Gorjanc	25,930	60,749	86,679	*
David S. Soares	12,401	58,547	70,948	*
Michael F. Falcon	14,070	13,131	27,201	*
Shane J. Buckley		15,049	15,049	*
Jocelyn E. Carter-Miller	7,567		7,567	*
Ralph E. Faison	12,000		12,000	*
A. Timothy Godwin (9)	30,815	11,800	42,615	*
Jef Graham	11,400	10,133	21,533	*

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Linwood A. Lacy, Jr.	208,150	15,000	223,150	*
Gregory J. Rossmann	2,400	1,800	4,200	*
Barbara V. Scherer				*
Julie A. Shimer	10,000	1,800	11,800	*
All current directors and executive officers as a group (17 persons)	693,903	739,466	1,433,369	3.7%

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- \* Less than one percent of our outstanding shares of common stock
- (1) Based on information contained in a Schedule 13G/A filed with the Securities and Exchange Commission on January 4, 2012, by Royce & Associates, LLC ( Royce & Associates ). Royce & Associates has sole voting and dispositive power over all of the reported shares. The address of Royce & Associates is 745 Fifth Avenue, New York, NY 10151.
- (2) Based on information contained in a Schedule 13G/A filed with the Securities and Exchange Commission on February 10, 2012, by BlackRock, Inc. ( BlackRock ). BlackRock has sole voting and dispositive power over all of the reported shares. The address of BlackRock is 55 East 52nd Street, New York, NY 10055.
- (3) Based on information contained in a Schedule 13G/A filed with the Securities and Exchange Commission on February 14, 2012, by Prudential Financial, Inc. ( Prudential ). Prudential may be deemed the beneficial owner and may have direct or indirect voting and/or investment discretion over 2,051,787 shares. Prudential Insurance Company of America may be deemed to presently hold 126,900 shares. The address of Prudential is 751 Broad Street, Newark, New Jersey 07102-3777.
- (4) Based on information contained in a Schedule 13G/A filed with the Securities and Exchange Commission on February 8, 2012, by The Vanguard Group, Inc ( Vanguard Group ). Vanguard Group has sole power to vote of 51,180 shares and sole power to dispose of 2,045,177 shares. Vanguard Fiduciary Trust Company, a wholly-owned subsidiary of Vanguard Group, is the beneficial owner of 51,180 shares. The address of Vanguard Group is 100 Vanguard Blvd, Malvern, PA 19355.
- (5) Based on information contained in a Schedule 13G/A filed with the Securities and Exchange Commission on February 13, 2012, by Jennison Associates LLC ( Jennison Associates ). Jennison Associates may be deemed to be the beneficial owner of the shares as a result of its role as investment adviser of the Managed Portfolios (several investment companies, insurance separate accounts, and institutional clients). Prudential Financial, Inc. ( Prudential ) may be deemed to have the power to exercise or to direct the exercise of such voting and /or dispositive power that Jennison may have as a result that Prudential indirectly owns 100% of the equity interests of Jennison. Jennison does not file jointly with Prudential, as such, shares reported on Jennison s 13G may be included in the shares reported on the 13G filed by Prudential. The address of Jennison Associates is 466 Lexington Avenue, New York, NY 10017.
- (6) Based on information contained in a Schedule 13G/A filed with the Securities and Exchange Commission on November 10, 2011, by The Bank of New York Mellon Corporation ( The Bank of New York Mellon ). All of the securities are beneficially owned by The Bank of New York Mellon and its direct or indirect subsidiaries in their various fiduciary capacities. The address of The Bank of New York Mellon Corporation is One Wall Street, New York, New York 10286.
- (7) Based on information contained in a Schedule 13G/A filed with the Securities and Exchange Commission on February 14, 2012, by FMR LLC ( FMR ). Fidelity Management & Research Company ( Fidelity ) is a wholly owned subsidiary of FMR and, as an investment advisor, is the beneficial owner of 1,615,878 shares as a result of acting as investment advisor to various investment companies. Edward C. Johnson 3d and FMR, through its control of Fidelity and the funds, each has sole power to dispose of 1,615,878 shares. Pyramis Global Advisors Trust Company, an indirect wholly-owned subsidiary of FMR, is the beneficial owner of 180,870 shares. The address of FMR is 82 Devonshire Street, Boston, Massachusetts 02109.
- (8) Shares beneficially owned by Mr. Lo include (1) 41,939 shares held of record by The Patrick C.S. Lo 2009 Grantor Retained Annuity Trust, (2) 196,414 shares held of record by The Patrick and Emily Lo Revocable Living Trust Dated 4-7-99, (3) 45,430 shares held of record by the education trusts of Mr. Lo s children, and (4) 49,331 shares held of record by Mr. Lo.

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- (9) Shares beneficially owned by Mr. Godwin represent 30,815 shares held by A. Timothy Godwin Family Trust dated 3/27/95, as amended.
  
- (10) The Securities and Exchange Commission deems a person to have beneficial ownership of all shares that he or she has the right to acquire within 60 days. The shares indicated represent shares underlying stock options exercisable and restricted stock units vesting within 60 days of March 23, 2012.

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**COMPENSATION DISCUSSION AND ANALYSIS**

**Executive Summary**

NETGEAR is a global networking company that delivers innovative products to consumers, businesses and service providers. In 2011 our revenue grew to \$1.18 billion, representing an increase of \$278.9 million, or 30.9% over the prior year. Net income grew to \$91.4 million in 2011, an increase of \$40.5 million or 79.5% over the prior year. Our strong earnings and operational excellence helped drive a cash, cash equivalents and short-term investments balance at the end of 2011 of \$353.7 million, an increase of \$83.0 million over the prior year-end.

We believe the compensation program for Named Executive Officers was instrumental in helping the Company achieving another year of strong financial performance in 2011. The compensation of our Named Executive Officers consists of three main elements: base salary, annual incentive compensation, and long-term incentive compensation. Compensation is based on overall company performance as well as individual performance. We continue to seek to have total compensation for Named Executive Officers at or near the median for our Peer Group, as identified below. We believe all of these factors help us achieve total compensation for our Named Executive Officers that is fair, reasonable and competitive.

**General Compensation Philosophy**

We compete in an aggressive and dynamic industry and, as a result, we believe that finding, motivating and retaining quality employees, particularly senior managers, sales personnel and technical personnel, are important factors to our future success.

Our compensation programs aim to address a number of objectives, including attracting and retaining highly qualified executive officers, rewarding individual contribution, loyalty, teamwork and integrity, and motivating management to achieve returns for our stockholders. Our programs are geared for short and long-term performance with the goal of increasing stockholder value over the long term. Our executive compensation program impacts all of our employees by setting general levels of compensation and helping to create an environment of goals, rewards and expectations. Because we believe the performance of every employee is important to our success, we are mindful of the effect executive compensation and incentive programs have on all of our employees.

We believe that the compensation of our executives should reflect their success as a management team in attaining key short term and long term operating objectives, such as growth of sales, operating margins and earnings per share, market share, long term competitive advantage, and ultimately, in attaining and sustaining an increased market price for our common stock. We believe that the performance of our executives in managing the Company, considered in light of general economic conditions, our company and industry, and competitive conditions, should be the basis for determination of their overall compensation. We also believe that their compensation should not be based on the short-term performance of our stock, whether favorable or unfavorable, as we expect the price of our stock will, in the long-term, reflect our operating performance, and ultimately, the management of the Company by our executives.

In May 2011, we held a stockholder advisory vote on the compensation of our Named Executive Officers, commonly referred to as a say-on-pay vote. Our stockholders overwhelmingly approved the compensation of our Named Executive Officers, with over 78% of stockholder votes cast in favor of our say-on-pay resolution. As we evaluated our compensation practices and talent needs throughout 2011, we were mindful of the strong support our stockholders expressed for our philosophy of linking compensation to our operating objectives and the enhancement of stockholder value. As a result, our Compensation Committee retained our general approach to executive compensation, with an emphasis on short and long-term incentive compensation that rewards our most senior executives when they help deliver on our objectives.



**Table of Contents****Designing a Competitive Compensation Package**

Recruitment and retention of our Named Executive Officers and other executive management require a competitive compensation package. Our Compensation Committee has the responsibility for evaluating the executive compensation plans, policies, and programs and making such recommendations or changes as it deems appropriate. Our Compensation Committee's approach emphasizes fixing total compensation for executives, which consists of base salary and benefits, annual cash incentive and long-term incentive awards, at approximately the median of our peer group (the Peer Group). The Peer Group was last reviewed and updated in April 2011 by the Compensation Committee's compensation consultant, with input from our Chief Executive Officer and Compensation Committee Chairman, and consists of 17 U.S. publicly traded companies from the computer peripheral and communications equipment industries of relatively similar annual revenue and market capitalization as compared to us:

Arris Group, Inc.	Aruba Networks, Inc.
Brocade Communications Systems, Inc.	Ciena Corporation
Digi International, Inc.	Emulex Corp.
Extreme Networks, Inc.	F5 Networks, Inc.
Finisar Corp.	Fortinet, Inc.
Juniper Networks, Inc.	Logitech International S.A.
NetApp, Inc.	Plantronics, Inc.
Polycom, Inc.	Radisys Corp.
SanDisk Corp.	

For companies within the Peer Group, annual 2010 revenues ranged from \$183 million to \$4.8 billion and market capitalization, as of March 31, 2011, ranged from \$211 million to \$22.1 billion. The Peer Group is the same as the group that was last used by the Compensation Committee in August 2010.

Statistical analysis is used to adjust all market compensation data to approximate the current annual revenues of the Company given the variation in size of the companies from which compensation data is collected. Each element of compensation as well as total compensation are quantified and reviewed to determine the Company's competitiveness compared to the Peer Group. Precise comparisons of some forms of compensation are not possible due to lack of data or different valuation approaches for compensation that is contingent, of uncertain duration or not dollar or share-based. Therefore, certain comparisons are based on observations generally rather than comparison survey data. When data is not current through the most recent year, estimates are made to update values and public and private survey information was also used as a supplement to the data.

The Compensation Committee engages Compensation Strategies, Inc., an independent third party compensation consulting firm, to assist in selecting the Peer Group and gathering general industry compensation data. The consultant reports directly to the Compensation Committee but has been authorized by the Compensation Committee to work with certain executive officers of the Company. The consultant conducts regular reviews of total compensation of the Named Executive Officers and members of the Board. The consultant also provides advice with respect to other executive and Board compensation issues that might arise during the year but otherwise provides no other services to the Company.

In determining the appropriate individual compensation levels for Named Executive Officers, the Compensation Committee considers the Peer Group compensation data as well as the individual's tenure, experience, skills, and individual and Company performance. Compensation levels for all Named Executive Officers, except our CEO, are developed by the Compensation Committee in consultation with our CEO and

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Compensation Strategies. The Compensation Committee engages in an active dialogue with our CEO concerning the Company's strategic objectives and performance targets. The Compensation Committee reviews the appropriateness of the financial measures used in the incentive plans and the degree of difficulty in achieving specific performance targets. The Compensation Committee also reviews with our CEO the individual responsibilities, abilities and objectives achieved in the prior year for each of the Named Executive Officers. In the case of the CEO, the Compensation Committee develops its own recommendation with the assistance of Compensation Strategies in executive session without the CEO, or any other member of management, present. The Compensation Committee reviews and approves the compensation for Named Executive Officers and the Board, including all independent members of the Board, also ratifies and approves such compensation.

***Setting the Pay Mix***

The Compensation Committee emphasizes performance-based compensation, which includes elements dependent directly on results, for our executive team. Total cash compensation (i.e., base salary and annual cash incentive) is targeted at approximately the median total cash compensation of the Peer Group for Named Executive Officers. Comparing the elements of total compensation for 2011, base salary comprises approximately 24%, annual incentive compensation approximately 18%, and long-term incentive compensation approximately 58% of the pay mix.

As explained below under Incentive Compensation RSU Substitute Bonus Plan, the Compensation Committee granted awards under an RSU Substitute Bonus Plan to replace awards in 2011 that otherwise would have been granted in 2012. Accordingly, many of the Company's compensation metrics as measured against the Peer Group for 2011 may be skewed higher than normal. However, the Compensation Committee anticipates that the RSU Substitute Bonus Plan will not again be implemented in 2012 and as such, the compensation metrics for 2012 may be skewed lower than normal and the net effect should be approximately neutral when reviewed across both 2011 and 2012.

Our total compensation (i.e., base salary, annual cash incentive and long-term incentives) in 2011 for Named Executive Officers as a group, other than the Chief Executive Officer, was above the median for the Peer Group by approximately 23% for the comparable executive positions. Our total compensation in 2011 for our CEO was above the median for the Peer Group by approximately 1% for the CEO position. These amounts above the median result largely from long-term incentive compensation exceeding the median and specifically, as mentioned above, the inclusion of the RSU Substitute Bonus Plan for the Named Executive Officers in their total compensation amounts.

***Fixed Compensation***

Principal elements of fixed compensation consist of base salary and benefits (e.g., 401(k) plan, health, life and disability insurance and employee stock purchase plan). We target the value of fixed compensation generally near the median of the Peer Group to facilitate a competitive recruitment and retention strategy. As a result, base salary for Named Executive Officers is generally set at approximately the 50<sup>th</sup> percentile of the Peer Group with individual variations based on job scope, tenure, retention risk and other factors relevant to the Compensation Committee. Increases in base salary reflect assessed performance, providing a performance link to this element of fixed compensation. Base salaries are reviewed by the Compensation Committee and approved by the independent members of the Board of Directors about the third quarter of the year. Accordingly, at the end of June 2011, the Compensation Committee reviewed and determined base salaries for Named Executive Officers to be effective as of July 1, 2011: Mr. Lo's salary was increased from \$600,000 to \$680,000, Ms. Gorjanc's salary was increased from \$400,000 to \$425,000, Mr. Soares's salary was increased from \$303,924 to \$315,000, Mr. Falcon's salary was increased from \$288,850 to \$315,000, and Mr. Buckley's salary was increased from \$300,000 to \$315,000. As a group, the base salaries for Named Executive Officers, other than the CEO, are 10% above the median for the Peer Group, with individual levels ranging from 2% to 27% above the median. The CEO's base salary is 6% below the median for the Peer Group.

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We provide various employee benefit programs to our Named Executive Officers, including health, life and disability insurance, a 401(k) plan and the opportunity to purchase our common stock through payroll deductions at a discounted price through our 2003 Employee Stock Purchase Plan. These benefit programs are generally available to all our employees on substantially equal terms.

### ***Incentive Compensation***

Our executive incentive compensation is linked directly to our sales and earnings growth and long-term total return to stockholders. Our incentive compensation awards include annual cash incentives tied to the current year's performance and equity awards that generally vest over four years to reward long-term performance. In addition, our incentive compensation awards in 2011 included a restricted stock unit award replacement cash bonus plan, which was tied to current year's performance, will not be fully earned until the first quarter of 2014 and includes a vesting provision.

*Annual Incentive Plan.* Our Named Executive Officers participate under our annual bonus plan and are eligible to receive a cash bonus primarily based upon the level of annual non-GAAP operating income achieved by the Company relative to a target established at the beginning of the calendar year. We believe that annual non-GAAP operating income is an appropriate measure which indicates profitable revenue growth and as such, generally reflects achievement of some of our shorter term objectives for growth in sales, operating margins and earnings per share, and market share.

Under the 2011 executive bonus plan, our Chief Executive Officer was eligible to receive an incentive bonus between 50% to 120% of his base salary, and each other participating Named Executive Officer was eligible to receive an incentive bonus between 25% to 60% of his or her base salary, in each case based upon the level of annual non-GAAP operating income achieved by the Company (commensurate with the non-GAAP operating income as reported in the Company's earnings release for the 2011 fiscal year), provided however, that a minimum non-GAAP operating income threshold, typically 90% of the annual operating plan set at the beginning of the year, must be achieved before any bonus is earned. The target bonus for our Chief Executive Officer was 100% of base salary and the target bonus for each other participating Named Executive Officer was 50% of base salary, and such target bonus was based upon us achieving the annual non-GAAP operating income target under our 2011 annual operating plan reviewed and approved by our Board of Directors at the beginning of 2011. We believe that the target performance goal was set at an appropriate level based on market and industry expectations at that time and that it was achievable and not unrealistic. In addition, once the eligible bonus is determined based upon the level of annual operating income achieved, the Compensation Committee also has discretion to reduce such bonus based upon the executive's achievement of his or her individual annual objectives. This negative discretion was exercised in 2011 with respect to certain of the Named Executive Officers ranging from 2% to 7% of the eligible bonus amount. Based on our 2011 annual non-GAAP operating income of \$145,831,000 exceeding the target annual operating income amount of \$133,000,000, bonuses were paid in the first quarter of 2012 to Named Executive Officers in recognition for services performed during fiscal year 2011. The amount paid to Mr. Lo, our Chief Executive Officer, was \$698,718, which is approximately 109% of Mr. Lo's base salary. Bonuses paid to the other Named Executive Officers were as follows: Ms. Gorjanc received \$225,232, which is approximately 55% of her base salary; Mr. Soares received \$163,201, which is approximately 54% of his base salary; Mr. Falcon received \$164,839, which is approximately 55% of his base salary; and Mr. Buckley received \$156,491, which is approximately 51% of his base salary.

*Equity Awards.* We provide long-term incentives through our 2003 Stock Plan ( 2003 Plan ) and our Amended and Restated 2006 Long-Term Incentive Plan ( 2006 Plan ), and in addition for 2011, through a restricted stock unit substitute bonus plan. Equity grants have been granted in the past under the 2003 Plan and are periodically granted under the 2006 Plan to provide additional incentive to Named Executive Officers to maximize long-term total return to our stockholders. We generally provide an initial grant upon employment commencement and subsequent smaller annual refresh grants. We may grant a mixture of equity grants, including stock options, restricted stock and restricted stock units. We believe that equity grants are a particularly

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strong incentive, because they increase in value to our employees as the fair market value of our common stock increases. In the case of restricted stock and restricted stock units, which have immediate underlying value, such awards also provide a retention benefit over the vesting period of the awards. While the annual incentive plan might focus on achievement of shorter term objectives related to Company performance, we believe equity awards to our Named Executive Officers provide an incentive to reach some of our longer term objectives and metrics, such as building on our long-term competitive advantages and increasing the market value of our common stock over time.

With respect to the size of the equity awards granted to our Named Executive Officers, the Compensation Committee mostly relies on input from two sources to determine the amount of equity awards to be granted: research from Compensation Strategies, and input from our Chief Executive Officer. The Compensation Committee also reviews the then-current status of equity awards available for grant under our 2006 Plan for the current year as well as for the foreseeable future. In addition, the Compensation Committee considers relevant factors, including without limitation the executive's position, the executive's individual performance, the number of equity awards held (if any), and the extent to which those equity awards are vested. Compensation Strategies prepares a comprehensive analysis of the equity award practices of our Peer Group. Objectively, we generally target our compensation to be at the median for the Peer Group. Our Chief Executive Officer also gives his input on the size of equity grants to be made to the Named Executive Officers, other than himself, with a review of the prior year's grants as the baseline starting point and such officer's individual performance for the year. Accordingly, by combining analysis of specific objective data (from both the Peer Group report and the status of equity awards available for grant) with subjective input from our Chief Executive Officer, the Compensation Committee determines an appropriate amount of equity awards to be granted for each Named Executive Officer for the current year.

The Compensation Committee makes a formal recommendation to the independent members of the Board of Directors of any proposed awards for their review and approval. Equity awards for our Named Executive Officers may be granted pursuant to written consent of the Board but are typically granted during a Board of Directors meeting, which meetings are scheduled a year in advance to minimize the discretionary selection of grant dates and the appearance of granting options based on the timing of disclosure of material information to the public.

Executive base salary compensation was reviewed and determined at the end of the second quarter 2011, while annual bonus was determined in the first quarter of 2011. As part of the annual compensation review in the first half of the year, annual equity awards were made to the Named Executive Officers during this period. The Named Executive Officers typically receive a combination of option and restricted stock unit awards each year.

For 2011 (as in 2010), the Company again did not have a sufficient amount of restricted stock awards available to be granted under the 2006 Plan to Named Executive Officers. The Company has been constrained by the amount of restricted stock unit awards available for grant under its stock equity plans as a result of a restriction under the 2006 Plan. We are asking stockholders to amend this restriction as part of Proposal Four (Amendments to the 2006 Plan) above. As a replacement for the customary annual grant of such restricted stock units, the Compensation Committee granted the Named Executive Officers (other than the CEO) in 2011 a combination grant consisting of a second grant of options and a grant of restricted stock units as a replacement for the annual restricted stock unit award. For 2011, the Company set a fixed ratio of options-to-restricted stock units as an equivalent to the customary annual restricted stock unit award. However, our CEO did not receive a combination grant in 2011. Instead, our CEO received a grant solely of options based on the fixed ratio of options-to-restricted stock units, in order to maximize the number of remaining restricted stock units available for grant under the 2006 Plan.

*RSU Substitute Bonus Plan.* The Compensation Committee in 2011 approved an RSU substitute bonus plan (the RSU Substitute Bonus Plan), which provides for cash incentives to be awarded to the Named Executive Officers. The RSU Substitute Bonus Plan was approved in 2011 in anticipation of a shortfall of available

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restricted stock awards in 2012 under the 2006 Plan due to the unique vesting provisions in the RSU Substitute Bonus Plan. Under the RSU Substitute Bonus Plan, each Named Executive Officers was eligible to earn a cash bonus if the Company achieved in 2011 fully-diluted non-GAAP earnings per share of \$2.20, subject to certain exclusions. If the Company would have had sufficient flexibility under the 2006 Plan, the Compensation Committee would have reviewed our performance in 2012 and would have determined the appropriate amount of restricted stock units to grant to the Named Executive Officers at that time. The Company achieved the non-GAAP earnings per share amount in 2011, and the Named Executive Officers became eligible to earn their bonus amounts as follows: Mr. Lo, our Chief Executive Officer, \$417,368; Ms. Gorjanc, \$313,026; Mr. Soares, \$177,381; Mr. Falcon, \$177,381; and Mr. Buckley, \$177,381. These amounts are further subject to vesting such that 50% of the amount is payable on the first regularly scheduled payroll date to occur after December 31, 2012 (i.e. in January 2013) and 50% of the amount is payable on the first regularly scheduled payroll date to occur after December 31, 2013 (i.e. in January 2014), in each case subject to the respective Named Executive Officer's continued employment with the Company through the relevant vesting dates. Because the first vesting threshold will not have occurred until December 31, 2012, the Compensation Committee decided to grant such cash awards in 2011 on the premise that the award will not first vest until December 31, 2012. Accordingly, the Compensation Committee does not anticipate granting any customary restricted stock awards or any additional awards under any RSU Substitute Bonus Plan to the Named Executive Officers in 2012.

Based on the April 2011 analysis by Compensation Strategies, the Company's 2011 long-term incentive compensation for Named Executive Officers as a group, other than the CEO, was generally 44% above the targeted median of the Peer Group. The CEO's long-term incentive compensation was 9% above the median of the Peer Group. The higher amounts for long-term incentive compensation largely resulted from the awards granted under the RSU Substitute Bonus Plan.

***Clawback Policy***

In order to minimize the risk of undue overpayment of bonus amounts and granting excessive option and restricted stock unit awards, the Compensation Committee and the Board of Directors in 2010 approved the addition of a clawback provision to the executive bonus plan and to award agreements which applies to the Named Executive Officers. The clawback provision may require a forfeiture of previously paid bonus amounts or previously awarded option or restricted stock unit awards in the event that the financial statements of the Company are subsequently restated and if such restated statements would have resulted in less of an actual bonus award being paid to Named Executive Officer or less of an actual option or restricted stock unit award being awarded to an Named Executive Officer, if such information had been known at the time the actual award had originally been calculated or determined. Pursuant to the clawback provision, the independent members of the Board of Directors or the Compensation Committee may require, in its discretion that an executive forfeit and/or repay to the Company the amount by which an actual bonus award previously paid exceeds the lesser pro forma bonus award and the amount by which an actual award previously awarded exceeds the lesser pro forma option or restricted stock unit award, as the case may be. The policy is to put the Company in no worse position had the Compensation Committee known of the restatement of financial statements at the time of the awards. We believe this is a fair and equitable way to address any potential windfall that may benefit a Named Executive Officer in the event that our financial statements are materially inaccurate.

***Stock Ownership Guidelines***

We have also adopted, effective as of January 1, 2005, stock ownership guidelines for our Named Executive Officers to own and hold common stock of the Company to further align their interests and actions with the interests of our stockholders. Under the guidelines, our Chief Executive Officer is expected to eventually own approximately five times his annual base salary. Other Named Executive Officers are expected to achieve ownership levels equal to approximately one to three times base salary. Named Executive Officers have a five year period in which to achieve the required compliance level. Shares owned directly by the executive and unvested restricted stock units are counted toward the guidelines. All of the Named Executive Officers are currently in compliance with the stock ownership guidelines.

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***Executive Severance and Change of Control Benefits***

The Company does not have a formal executive severance or change in control plan. The severance and change of control benefits that each Named Executive Officer is eligible for is governed by his or her employment agreement, change of control agreement or offer letter with us. The Compensation Committee believes that these agreements and offer letters are an essential element of our Named Executive Officers compensation packages in order to be competitive with other companies that compete with us for executive officer talent, and also to ensure that our Named Executive Officers feel that they have adequate financial security to manage any circumstances that would obligate us to pay them severance or change in control benefits. For a more detailed description of these severance and change of control benefits, please see Executive Compensation Potential Payments Upon Termination or Change In Control.

**Tax Deductibility of Executive Compensation**

Section 162(m) of the Code generally disallows a tax deduction to publicly held companies for compensation paid to certain executive officers, to the extent that compensation exceeds \$1 million per officer in any year. The Company generally seeks to maximize the deductibility for tax purposes of all elements of compensation. Our 2006 Plan is structured so that any compensation recognized by an executive officer in connection with the exercise of his or her outstanding options under the plan will qualify as performance-based compensation and will not be subject to the \$1 million limitation. In addition, our 2006 Plan allows our Compensation Committee to structure equity awards other than stock options as performance based compensation under Section 162(m). In addition, our Executive Bonus Plan allows us to structure our cash incentives that are paid thereunder to be qualify for a deduction under Section 162(m). The Compensation Committee, however, periodically reviews applicable tax provisions, such as Section 162(m), and may revise compensation plans from time to time to comply with their rules and to maximize deductibility.

**Table of Contents****EXECUTIVE COMPENSATION****Summary Compensation Table***Summary Compensation Table*

The following Summary Compensation Table sets forth certain information regarding the compensation of our principal executive officer, our principal financial officer, and our three other most highly compensated executive officers for 2011 (our Named Executive Officers) for services rendered in all capacities for the years indicated.

Name and principal position	Year	Salary (\$)	Bonus (\$)(1)	Stock Awards (\$)(2), (10)	Option Awards (\$)(3), (10)	Non-Equity Incentive Plan	All Other Compensation	Total (\$)
						Compensation (\$)(4), (10)	Compensation (\$)	
Patrick C.S. Lo, Chairman and Chief Executive Officer	2011	\$ 640,000	\$	\$	\$ 2,065,055	\$ 698,718	\$	\$ 3,403,773
	2010	\$ 600,000	\$	\$	\$ 1,270,816	\$ 870,000	\$	\$ 2,740,816
	2009	\$ 567,693	\$ 55,000	\$ 228,200	\$ 485,813	\$	\$ 4,154(5)	\$ 1,340,860
Christine M. Gorjanc, Chief Financial Officer	2011	\$ 412,500	\$	\$ 397,800	\$ 459,409	\$ 225,232	\$	\$ 1,494,941
	2010	\$ 360,616	\$	\$	\$ 493,783	\$ 213,639	\$	\$ 1,068,038
	2009	\$ 302,769	\$ 29,333	\$ 171,150	\$ 120,769	\$	\$ 2,585(5)	\$ 626,606
David S. Soares, Senior Vice President and General Manager, Retail Business Unit (6)	2011	\$ 305,000	\$	\$ 225,420	\$ 347,956	\$ 163,201	\$	\$ 1,041,577
	2010	\$ 299,199	\$	\$	\$ 324,145	\$ 183,256	\$ 64,494(8)	\$ 871,094
	2009	\$ 264,336	\$ 24,031	\$ 91,280	\$ 96,615	\$	\$ 75,134(9)	\$ 551,396
Michael F. Falcon, Senior Vice President of Worldwide Operations and Support	2011	\$ 301,925	\$	\$ 225,420	\$ 347,956	\$ 164,839	\$	\$ 1,040,140
	2010	\$ 267,943	\$	\$	\$ 333,005	\$ 163,860	\$	\$ 764,808
	2009	\$ 250,731	\$ 24,292	\$ 96,985	\$ 72,461	\$	\$ 2,140(5)	\$ 446,609
Shane J. Buckley, Senior Vice President and General Manager, Commercial Business Unit (7)	2011	\$ 307,500	\$	\$ 225,420	\$ 350,072	\$ 156,491	\$	\$ 1,039,483
	2010	\$ 300,000	\$	\$	\$	\$ 181,545	\$	\$ 481,545
	2009	\$ 69,231	\$	\$	\$ 774,210	\$	\$	\$ 843,441

- (1) The amounts included in the Bonus column represent a discretionary cash bonus earned in 2009. These amounts were paid for services performed during fiscal 2009 and were paid especially as a result of the Company's exemplary fourth fiscal quarter 2009 financial results, which exceeded expectations. These discretionary cash bonuses were paid in March 2010.
- (2) The amounts reported in this column represent the aggregate value of the stock awards granted to the Named Executive Officers during 2011, 2010 and 2009, based upon their grant date fair value, as determined in accordance with the share-based payment accounting guidance under ASC 718. As required, the amounts shown exclude the impact of estimated forfeitures. Please see the Grants of Plan-Based Awards table for more information regarding the stock awards we granted in 2011.
- (3) The amounts reported in this column represent the aggregate value of option awards granted to the Named Executive Officers during 2011, 2010 and 2009, based upon their grant date fair value, as determined in accordance with the share-based payment accounting guidance under ASC 718. As required, the amounts shown exclude the impact of estimated forfeitures. For a discussion of the valuation assumptions for stock options, see Note 11 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2011. Please see the Grants of Plan-Based Awards table for more information regarding the option awards we granted in

2011.



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- (4) The amounts included in the Non-Equity Incentive Plan Compensation column for all officers represent cash bonuses earned under our annual bonus plan for each corresponding fiscal year and paid in the following March. No amounts were earned in relation to the Company's RSU Substitute Bonus Plan, as the executive will be paid 50% of the target bonus in the first quarter of 2013 and 50% in the first quarter of 2014. In addition, no amounts under the RSU Substitute Replacement Bonus Plan will be earned unless and until the participant satisfies the continued employment requirement through each of the actual payout dates.
- (5) Consists of matching contributions under our 401(k) plan that were earned in 2009 and paid in January 2010.
- (6) Mr. Soares was paid salary and certain other compensation in Pounds Sterling in 2010. In calculating the dollar equivalent for disclosure purposes, the Company converted each payment pertaining to amounts earned in 2010 and 2009 into dollars based on the average annual exchange rate in those years, which were, 1.5456 and 1.5659 dollars per Pound Sterling, respectively. His 2010 non-equity incentive plan compensation was paid in U.S. dollars in March 2011.
- (7) Mr. Buckley joined the Company in October 2009.
- (8) Mr. Soares received a housing allowance of \$13,773, an employer matching contribution to a portable personal pension plan in the United Kingdom of \$34,342 and a car and personal transportation allowance of \$16,379. No tax payment gross-up was made for Mr. Soares.
- (9) Mr. Soares received a housing allowance of \$27,468, an employer matching contribution to a portable personal pension plan in the United Kingdom of \$30,848 and a car and personal transportation allowance of \$16,818. No tax payment gross-up was made for Mr. Soares.
- (10) The amounts set forth in these columns are subject to clawback provisions.

**Table of Contents****Grants of Plan-Based Awards in Fiscal Year 2011****Grants of Plan-Based Awards**

The following table provides certain information relating to incentive compensation and equity awards granted to, and the range of payouts that were achievable for, each of our Named Executive Officers during the fiscal year ended December 31, 2011. All stock options were granted under our 2006 Plan and have a term of ten years, subject to earlier termination in the event that the optionee's services to us cease. Shares issued through our employee stock purchase plan are issued under our 2003 Employee Stock Purchase Plan. Cash awards paid under our annual incentive plan are reflected in the Summary Compensation Table under Non-Equity Incentive Plan Compensation for each of our Named Executive Officers. A description of the incentive plans can be found in Compensation Discussion and Analysis Incentive Compensation Annual Incentive Plan.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (3)
		Threshold (\$)	Target (\$)	Maximum (\$)				
Patrick C.S. Lo	1/31/2011(1)					721	\$ 29.45	\$ 3,749
	2/3/2011(2)					100,000	\$ 35.32	\$ 1,502,129
	3/25/11(5)		640,000	768,000			\$	\$
	3/25/11(6)		417,368				\$	\$
	4/26/2011(2)					40,000	\$ 33.15	\$ 559,177
Christine M. Gorjanc	2/3/2011(2)					25,000	\$ 35.32	\$ 375,532
	3/25/11(5)		206,250	247,500			\$	\$
	3/25/11(6)		313,026				\$	\$
	4/26/2011(2)					6,000	\$ 33.15	\$ 83,877
	4/26/2011(4)				12,000		\$	\$ 397,800
David S. Soares	2/3/2011(2)					20,000	\$ 35.32	\$ 300,426
	3/25/11(5)		152,500	183,000			\$	\$
	3/25/11(6)		177,381				\$	\$
	4/26/2011(2)					3,400	\$ 33.15	\$ 47,530
	4/26/2011(4)				6,800		\$	\$ 225,420
Michael F. Falcon	2/3/2011(2)					20,000	\$ 35.32	\$ 300,426
	3/25/11(5)		150,963	181,155			\$	\$
	3/25/11(6)		177,381				\$	\$
	4/26/2011(2)					3,400	\$ 33.15	\$ 47,530
	4/26/2011(4)				6,800		\$	\$ 225,420
Shane J. Buckley	1/31/2011(1)					407	\$ 29.45	\$ 2,116
	2/3/2011(2)					20,000	\$ 35.32	\$ 300,426
	3/25/11(5)		153,750	184,500			\$	\$
	3/25/11(6)		177,381				\$	\$
	4/26/2011(2)					3,400	\$ 33.15	\$ 47,530
	4/26/2011(4)				6,800		\$	\$ 225,420

(1) These shares were issued under our 2003 Employee Stock Purchase Plan and are not subject to vesting.

(2) 25% of the shares subject to these options will vest twelve months after the grant date, and 1/48 of the shares subject to these options shall vest each month thereafter, subject to the optionee continuing to be a service provider through such dates.

- (3) These amounts represent the full grant date value without regard to vesting. See Note 11 of the consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2011 regarding

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assumptions underlying the valuation of option awards. Regardless of the value placed on a stock option on the grant date, the actual economic value of the option to the Named Executive Officer will depend on the market value of the Company's common stock at the date in the future when the option is exercised.

- (4) These restricted stock unit awards will vest in four equal annual installments on the first four anniversaries of the grant date, subject to the recipient continuing to be a service provider through such dates. Upon vesting, each restricted stock unit will entitle the recipient to receive one share of common stock of the Company.
  
- (5) These payouts were pursuant to the terms of the Company's Annual Bonus Plan for Executives. The maximum payout that could have been earned by the Named Executive Officers was dependent upon the Company's level of operating income achieved during 2011, and was reduced by the Compensation Committee for certain Named Executive Officers based upon the executive's achievement of his or her individual objectives. Notwithstanding the foregoing, a bonus is paid only if the Company achieves a certain level of operating income. As a result, payout under the 2011 Bonus Plan for Executives could have been \$0.
  
- (6) These payouts are pursuant to the terms of the Company's RSU Substitute Bonus Plan. The maximum payout that may be earned is dependent upon the Company's level of Non-GAAP diluted earnings per share. If the goal is not achieved, then no bonus will be earned. If the goal is achieved, then the executive will be eligible to earn a bonus. No additional amounts will be eligible to be earned for performance in excess of the target goal. If the target goal is achieved, the executive will be paid 50% of the target bonus in the first quarter of 2013 and 50% in the first quarter of 2014, in each case subject to the executive's continued employment with the Company through the relevant vesting dates. No bonus will be earned unless and until the participant satisfies the continued employment requirement through the date bonuses are actually paid.

**Table of Contents****Outstanding Equity Awards at 2011 Fiscal Year-End**

The following table provides certain information relating to equity awards held by our Named Executive Officers.

Name	Grant Date	Option Awards				Stock Awards	
		Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable (1)	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 (\$)(5)
Patrick C.S. Lo	3/11/2005	1,358		\$ 15.35	3/11/2015		
	5/23/2006	100,000		\$ 22.68	5/23/2016		
	1/12/2007	100,000		\$ 29.23	1/12/2017		
	1/11/2008	97,915	2,085	\$ 28.79	1/11/2018		
	1/11/2008					5,000(2)	\$ 167,850
	1/16/2009	72,915	27,085	\$ 11.41	1/16/2019		
	1/16/2009					10,000(3)	\$ 335,700
	2/2/2010	45,833	54,167	\$ 21.10	2/2/2020		
	6/13/2010	14,999	25,001	\$ 20.80	6/13/2020		
	2/3/2011		100,000	\$ 35.32	2/3/2021		
4/26/2011		40,000	\$ 33.15	4/26/2021			
Christine M. Gorjanc	12/13/2005	10,000		\$ 19.55	12/13/2015		
	1/12/2007	15,000		\$ 29.23	1/12/2017		
	1/11/2008	24,478	522	\$ 28.79	1/11/2018		
	1/11/2008					3,750(2)	\$ 125,888
	1/16/2009	2,228	6,772	\$ 11.41	1/16/2019		
	1/16/2009					7,500(3)	\$ 251,775
	2/2/2010	11,458	13,542	\$ 21.10	2/2/2020		
	6/13/2010	11,249	18,751	\$ 20.80	6/13/2020		
	2/3/2011		25,000	\$ 35.32	2/3/2021		
	4/26/2011		6,000	\$ 33.15	4/26/2021		
4/26/2011					12,000(4)	\$ 402,840	
David S. Soares	1/12/2007	20,000		\$ 29.23	1/12/2017		
	1/11/2008	19,583	417	\$ 28.79	1/11/2018		
	1/11/2008					2,000(2)	\$ 67,140
	1/16/2009		5,417	\$ 11.41	1/16/2019		
	1/16/2009					4,000(3)	\$ 134,280
	2/2/2010	3,166	10,834	\$ 21.10	2/2/2020		
	6/13/2010	1,999	10,001	\$ 20.80	6/13/2020		
	2/3/2011		20,000	\$ 35.32	2/3/2021		
	4/26/2011		3,400	\$ 33.15	4/26/2021		
	4/26/2011					6,800(4)	\$ 228,276
Michael F. Falcon	1/11/2008		313	\$ 28.79	1/11/2018		
	1/11/2008					2,125(2)	\$ 71,336
	1/16/2009		4,063	\$ 11.41	1/16/2019		
	1/16/2009					4,250(3)	\$ 142,673
	2/2/2010		10,834	\$ 21.10	2/2/2020		
	6/13/2010		10,626	\$ 20.80	6/13/2020		
	2/3/2011		20,000	\$ 35.32	2/3/2021		
4/26/2011		3,400	\$ 33.15	4/26/2021			

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							6,800(4)	\$ 228,276
	4/26/2011							
Shane J. Buckley	10/20/2009	2,084	45,834	\$ 18.07	10/20/2019			
	2/3/2011		20,000	\$ 35.32	2/3/2021			
	4/26/2011		3,400	\$ 33.15	4/26/2021			
	4/26/2011						6,800(4)	\$ 228,276

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- (1) 25% of the shares subject to these options vested or will vest twelve months after the grant date, and 1/48 of the shares subject to these options vested or will vest each month thereafter, subject to the optionee continuing to be a service provider through such dates.
- (2) These awards are restricted stock units. These awards will vest in four equal annual installments with the first installment vesting on January 11, 2009, subject to the individual continuing to be a service provider through such dates.
- (3) These awards are restricted stock units. These awards will vest in four equal annual installments with the first installment vesting on January 16, 2010, subject to the individual continuing to be a service provider through such dates.
- (4) These awards are restricted stock units. These awards will vest in four equal annual installments with the first installment vesting on April 26, 2012, subject to the individual continuing to be a service provider through such dates.
- (5) These amounts were calculated as the product of the closing price of our common stock on the NASDAQ Global Select Market on December 30, 2011 (the last market trading day in 2011), which was \$33.57, and the number of shares pursuant to the applicable restricted stock units award.

**Option Exercises and Stock Vested in Fiscal Year 2011**

The following table provides certain information relating to option exercises and stock vested by our Named Executive Officers.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$ (1))	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$ (2))
Patrick C.S. Lo	74,821	\$ 1,730,424	15,000	\$ 556,400
Christine M. Gorjanc	36,000	\$ 793,983	7,500	\$ 277,538
David S. Soares	26,667	\$ 580,973	5,875	\$ 217,901
Michael F. Falcon	48,977	\$ 490,243	6,125	\$ 227,153
Shane J. Buckley	25,406	\$ 433,285		\$

- (1) The value realized on exercise equals the difference between the closing price of our common stock on the NASDAQ Global Select Market on the exercise date and the exercise price of the applicable stock option award, multiplied by the number of shares for which the stock option award was exercised.
- (2) The value realized on vesting equals the closing price of our common stock on the NASDAQ Global Select Market on the vesting date, multiplied by the number of shares that vested on the vesting date.

**Pension Benefits and other Nonqualified Deferred Compensation Plans**

We do not offer any defined benefit retirement or nonqualified deferred compensation plans for Named Executive Officers.

**Potential Payments Upon Termination or Change in Control**

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We have entered into employment agreements and/or change of control and severance agreements with the following of our current Named Executive Officers. Each employment agreement may be terminated by either us or the executive officer at any time with or without cause. In addition, the employment agreements provide for annual salary and bonus amounts and severance benefits, as may be adjusted from time to time by our Board of



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Directors. In the event of a change of control, all equity awards issued under our 2006 Plan, including those issued to our executive officers, will become fully vested and exercisable. We have no tax gross-up agreements with any executive for change in control arrangements.

We entered into an employment agreement dated December 3, 1999, as amended, with Patrick C.S. Lo, our Chairman and Chief Executive Officer. This agreement provides that if within one year following a change of control, Mr. Lo is terminated without cause or resigns for good reason, he is entitled to full acceleration of any unvested portion of his stock options, and severance payments at his final base salary rate for a period of one year after his termination or resignation. If Mr. Lo is terminated without cause other than as set forth above, he is entitled to receive severance payments at his final base salary rate for a period of one year and will continue to have his equity awards vest for one year after such termination.

We entered into an employment agreement dated November 16, 2005, as amended, with Christine M. Gorjanc, our Chief Financial Officer. This amended agreement provides that if within one year following a change of control, Ms. Gorjanc is terminated without cause or resigns for good reason, she is entitled to receive two years acceleration of any unvested portion of her stock options, and severance payments at her final base salary rate for a period of 26 weeks after her termination or resignation. If Ms. Gorjanc is terminated without cause other than as set forth above, she is entitled to receive severance payments at her final base salary rate for a period of 26 weeks and will continue to have her equity awards vest for one year after such termination.

We entered into an employment agreement dated March 31, 2011, with David Soares, Senior Vice President and General Manager of the Retail Business Unit. This agreement provides that if within one year following a change of control, Mr. Soares is terminated without cause or resigns for good reason, he is entitled to receive two years acceleration of any unvested portion of his stock options, and severance payments at his final base salary rate for a period of 26 weeks after his termination or resignation. If Mr. Soares is terminated without cause other than as set forth above, he is entitled to receive severance payments at his final base salary rate for a period of 26 weeks and will continue to have his equity awards vest for one year after such termination.

We entered into an employment agreement dated November 4, 2002, as amended, with Michael F. Falcon, our Senior Vice President of Worldwide Operations and Support. This amended agreement provides that if within one year following a change of control, Mr. Falcon is terminated without cause or resigns for good reason, he is entitled to receive two years acceleration of any unvested portion of his stock options, and severance payments at his final base salary rate for a period of 39 weeks after his termination or resignation. If Mr. Falcon is terminated without cause other than as set forth above, he is entitled to receive severance payments at his final base salary rate for a period of 39 weeks and will continue to have his equity awards vest for one year after such termination.

We entered into an employment agreement dated October 30, 2011, with Shane Buckley, our Senior Vice President and General Manager of the Commercial Business Unit. This agreement provides that if within one year following a change of control, Mr. Buckley is terminated without cause or resigns for good reason, he is entitled to receive two years acceleration of any unvested portion of his stock options and restricted stock units, and severance payments at his final base salary rate for a period of 26 weeks after his termination or resignation. If Mr. Buckley is terminated without cause other than as set forth above, he is entitled to receive severance payments at his final base salary rate for a period of 26 weeks and will continue to have his equity awards vest for one year after such termination.

For purposes of these employment agreements, *good reason* means the occurrence of any of the following conditions, subject to certain notice provisions in the executive's respective employment agreement: (i) a material decrease in the executive's base compensation; or (ii) a material, adverse change in the executive's authority, responsibilities or duties, as measured against the executive's authority, responsibilities or duties immediately prior to such change. Notwithstanding the foregoing, in no event will the executive have good reason to resign due merely to a change in title or a change in the executive's reporting caused by a change of control or discontinuance of any duties and responsibilities solely related to the operation of a public company.

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For purposes of the employment agreement for Mr. Lo, a termination for cause occurs if Mr. Lo is terminated for any of the following reasons: (i) theft, dishonesty, material misconduct, or any material violation of the Company's personnel policies and procedures, or falsification of any employment or Company records; (ii) disclosure of the Company's confidential or proprietary information in violation of the Company's form of invention and proprietary information agreement; (iii) any intentional action by Mr. Lo which has a material detrimental effect on the Company's reputation or business; (iv) Mr. Lo's failure or inability to perform any assigned duties after written notice from the Company to Mr. Lo of, and a reasonable opportunity to cure, such failure or inability, which is not less than 90 days; or (v) Mr. Lo's conviction (including any plea of guilty or no contest) for any criminal act that impairs Mr. Lo's ability to perform his duties under the employment agreement. For purposes of the employment agreements for Messrs. Soares, Falcon and Buckley and Ms. Gorjanc, cause is defined as (i) an act of dishonesty made by the executive in connection with executive's responsibilities as an employee, (ii) executive's conviction of, or plea of nolo contendere to, a felony, (iii) executive's gross misconduct, or (iv) executive's continued violation of his or her employment duties after executive has received a written demand for performance from the Company which specifically sets forth the factual basis for the Company's belief that executive has not substantially performed his or her duties.

For purposes of these employment agreements, a change of control of the Company shall be deemed to have occurred if at any time after the effective date of the employment agreements, respectively: (i) any person, other than a trustee or other fiduciary holding securities of the Company under an employee benefit plan of the Company and other than Nortel Networks Corporation and its affiliates, becomes the beneficial owner, directly or indirectly, of securities of the Company representing 50% or more of (A) the outstanding shares of common stock of the Company or (B) the combined voting power of the Company's then-outstanding securities entitled to vote generally in the election of directors; or (ii) (A) the Company is party to a merger, consolidation or exchange of securities which results in the holders of voting securities of the Company outstanding immediately prior thereto failing to continue to hold at least 50% of the combined voting power of the voting securities of the Company, the surviving entity or a parent of the surviving entity outstanding immediately after such merger, consolidation or exchange, or (B) the Company sells or disposes of all or substantially all of the Company's assets (or any transaction having similar effect is consummated), or (C) the individuals constituting the Board immediately prior to such merger, consolidation, exchange, sale or disposition shall cease to constitute at least 50% of the Board, unless the election of each director who was not a director prior to such merger, consolidation, exchange, sale or disposition was approved by a vote of at least two-thirds of the directors then in office who were directors prior to such merger, consolidation, exchange, sale or disposition; provided, however, in the case of the employment agreements for Mr. Lo and Mr. Buckley, a change of control will not have occurred due solely to the decrease or increase of any ownership of the Company by Nortel Networks NA Inc., its parent corporations, subsidiaries, or affiliates.

***Payments Upon Termination Without Cause and Not As a Result of a Change in Control of the Company***

The following table summarizes the amount that each of our Named Executive Officers would receive in the event his or her employment with the Company is terminated without cause and not as a result of a change in control of the Company:

Name	Cash	Value	Total (\$)
	Severance (\$)	Realized from Equity Options and Awards (\$)(1)	
Patrick C.S. Lo	\$ 680,000	\$ 1,346,104	\$ 2,026,104
Christine M. Gorjanc	\$ 212,500	\$ 668,242	\$ 880,742
David S. Soares	\$ 157,500	\$ 418,167	\$ 575,667
Michael F. Falcon	\$ 236,250	\$ 401,555	\$ 637,805
Shane J. Buckley	\$ 157,500	\$ 445,148	\$ 602,648

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- (1) The value realized equals the difference between the closing price of our common stock on the NASDAQ Global Select Market on December 30, 2011 (the last market trading day in 2011), which was \$33.57, and the exercise price of the applicable award, multiplied by the number of shares that would vest under the terms of each employment agreement.

***Payments Upon a Change in Control of the Company***

Pursuant to the terms of our 2006 Plan, all outstanding equity awards under the 2006 Plan vest immediately upon a change in control. Our Named Executive Officers would realize the following value on equity options and awards granted under the 2006 Plan in the event of a change in control: Patrick C.S. Lo, \$2,115,279; Christine M. Gorjanc, \$1,343,904; David S. Soares, \$815,971; Michael F. Falcon, \$806,039; and Shane J. Buckley, \$940,131. The value realized equals the difference between \$33.57 (the closing price of our common stock on the NASDAQ Global Select Market on December 30, 2011) and the option or award exercise price per share, multiplied by the number of shares that would immediately vest upon a change in control.

***Payments Upon Termination Without Cause or Resignation for Good Reason within One Year after a Change in Control of the Company***

The following table summarizes the amount that each of our Named Executive Officers would receive in the event his or her employment with the Company is terminated without cause, or he or she resigns for good reason, within one year after a change in control of the Company.

Name	Cash Severance (\$)	Value Realized from Equity Options and Awards (\$)(1)	Total (\$)
Patrick C.S. Lo (2)	\$ 680,000	\$ 9,966	\$ 689,966
Christine M. Gorjanc	\$ 212,500	\$	\$ 212,500
David S. Soares	\$ 157,500	\$	\$ 157,500
Michael F. Falcon	\$ 236,250	\$	\$ 236,250
Shane J. Buckley	\$ 157,500	\$	\$ 157,500

- (1) The value realized from equity options and awards is exclusive of any amounts already received by the Named Executive Officer as a result of the change in control itself, as disclosed in *Payments Upon a Change in Control of the Company*.
- (2) The value realized equals the difference between \$33.57 (the closing price of our common stock on the NASDAQ Global Select Market on December 30, 2011) and the option or award exercise price per share, multiplied by the number of shares that would vest under the terms of Mr. Lo's employment agreement. Mr. Lo has one option outstanding (under the 2003 Stock Plan for 2,085 unvested shares of common stock) which would accelerate in full. The exercise price per share of the option is \$28.79, resulting in a value realized as of December 31, 2011 of \$9,966.

To protect the interests of NETGEAR, all of our employment agreements provide for covenants strictly limiting proprietary information disclosure, competitive activities and solicitation of our employees by a terminated executive officer for specified periods of time.

**Table of Contents****Equity Compensation Plan Information**

The following table provides information as of December 31, 2011, about our common stock that may be issued upon the exercise of options and rights granted to employees or members of our Board of Directors under all existing equity compensation plans, including the 2003 Stock Plan, the 2006 Plan and the 2003 Employee Stock Purchase Plan.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders	4,126,562(1)	\$ 25.87	1,192,463(2)
Equity compensation plans not approved by security holders		\$	
<b>Total</b>	<b>4,126,562</b>		<b>1,192,463</b>

(1) Includes 259,230 shares subject to options outstanding under the 2003 Plan, 3,867,332 shares subject to options outstanding under the 2006 Plan and no outstanding shares under the 2003 Employee Stock Purchase Plan.

(2) Includes 255,445 shares available for future issuance under the 2003 Plan, 486,349 shares available for future issuance under the 2006 Plan and 450,669 shares available for future issuance under the 2003 Employee Stock Purchase Plan.

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**COMPENSATION COMMITTEE REPORT**

*Notwithstanding any statement to the contrary in any of our previous or future filings with the Securities and Exchange Commission, this Report of the Compensation Committee of our Board of Directors shall not be deemed filed with the Securities and Exchange Commission or soliciting material under the 1934 Act, and shall not be incorporated by reference into any such filings.*

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis contained in this Proxy Statement. Based on the Compensation Committee's review of and the discussions with management with respect to the Compensation Discussion and Analysis, the Compensation Committee recommended to the Board of Directors, and the Board of Directors ratified, that the Compensation Discussion and Analysis be included in this Proxy Statement and incorporated by reference into our Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

Respectfully submitted by:

THE COMPENSATION COMMITTEE

RALPH E. FAISON (CHAIRMAN)

JEF GRAHAM

GREGORY J. ROSSMANN

JULIE A. SHIMER

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**REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS**

*Notwithstanding any statement to the contrary in any of our previous or future filings with the Securities and Exchange Commission, this report of the Audit Committee of our Board of Directors shall not be deemed filed with the Securities and Exchange Commission or soliciting material under the 1934 Act, and shall not be incorporated by reference into any such filings.*

The Audit Committee, which currently consists of A. Timothy Godwin, Linwood A. Lacy, Jr., Jocelyn E. Carter-Miller and Barbara V. Scherer, evaluates audit performance, manages relations with our independent registered public accounting firm and evaluates policies and procedures relating to internal accounting functions and controls. Our Board of Directors first adopted a written charter for the Audit Committee in September 2000 and most recently amended it in February 2012, which details the responsibilities of the Audit Committee. This report relates to the activities undertaken by the Audit Committee in fulfilling such responsibilities.

The Audit Committee members are not professional auditors, and their functions are not intended to duplicate or to certify the activities of management and the independent registered public accounting firm. The Audit Committee oversees NETGEAR's financial reporting process on behalf of our Board of Directors. NETGEAR's management has the primary responsibility for the financial statements and reporting process, including NETGEAR's systems of internal controls over financial reporting. In fulfilling its oversight responsibilities, the Audit Committee reviewed and discussed with management the audited financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2011. This review included a discussion of the quality and the acceptability of NETGEAR's financial reporting and internal control over financial reporting, including the clarity of disclosures in the financial statements.

The Audit Committee also reviewed with NETGEAR's independent registered public accounting firm, who are responsible for expressing an opinion on the conformity of NETGEAR's audited financial statements with generally accepted accounting principles, their judgments as to the quality and the acceptability of NETGEAR's financial reporting and such other matters required to be discussed with the Audit Committee under generally accepted auditing standards in the United States including 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 (the PCAOB) in Rule 3200T). The Audit Committee has received the written disclosures and the letter from the independent registered public accounting firm required by applicable requirements of the PCAOB regarding the independent accountant's communications with the Audit Committee concerning independence. The Audit Committee discussed with the independent registered public accounting firm such auditors' independence from management and NETGEAR, including the matters in such written disclosures required by applicable requirements of the PCAOB regarding the independent accountant's communications with the Audit Committee concerning independence.

The Audit Committee further discussed with NETGEAR's independent registered public accounting firm the overall scope and plans for their audits. The Audit Committee meets periodically with the independent registered public accounting firm, with and without management present, to discuss any significant matters regarding internal control over financial reporting that have come to their attention during the audit, and to discuss the overall quality of NETGEAR's financial reporting.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to our Board of Directors and our Board of Directors approved that the audited financial statements and disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations be included in the Annual Report on Form 10-K for the year ended December 31, 2011, as filed with the Securities and Exchange Commission on February 29, 2012.

Respectfully submitted by:

THE AUDIT COMMITTEE

A. TIMOTHY GODWIN (CHAIRMAN)

JOCELYN E. CARTER-MILLER

LINWOOD A. LACY, JR.

BARBARA V. SCHERER



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**SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the 1934 Act requires our officers and directors, and persons who own more than 10% of a registered class of our equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Executive officers, directors and greater than 10% stockholders are required by Securities and Exchange Commission regulations to furnish us with copies of all Section 16(a) forms they file. Based solely on our review of the copies of such forms that we have received, or written representations from reporting persons, we believe that during 2011, all Section 16(a) filing requirements applicable to our officers, directors and greater than 10% stockholders were met, except as follows: Mr. Soares failed to timely file a Form 4 for one transaction in 2011.

**RELATED PARTY TRANSACTIONS**

We have determined that there were no related party transactions to disclose in 2011.

**Review, approval or ratification of transactions with related parties**

We, or one of our subsidiaries, may occasionally enter into transactions with certain related parties. Related parties include our executive officers, directors, nominees for directors, or 5% or more beneficial owners of our common stock and immediate family members of these persons. We refer to transactions in which the related party has a direct or indirect material interest as related party transactions. Each related party transaction must be reviewed and approved by the Audit Committee of the Board of Directors prior to the entering into of such transaction.

The Audit Committee considers all relevant factors when determining whether to approve a related party transaction including, without limitation, the following:

the extent of the related party's interest in the related party transaction;

the aggregate value of the related party transaction;

the benefit to the Company; and

whether the transaction involves the provision of goods or services to the Company that are available from unaffiliated third parties and whether the transaction is on terms and made under circumstances that are at least as favorable to the Company as would be available in comparable transactions with or involving unaffiliated third parties.



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**OTHER MATTERS**

We know of no other matters to be submitted at the annual meeting. If any other matters properly come before the annual meeting, it is the intention of the persons named on the proxy to vote the shares they represent as our Board of Directors may recommend.

It is important that your shares be represented at the annual meeting, regardless of the number of shares, which you hold. You are, therefore, urged to vote as promptly as possible.

THE BOARD OF DIRECTORS OF

NETGEAR, INC.:

PATRICK C.S. LO

JOCELYN E. CARTER-MILLER

RALPH E. FAISON

A. TIMOTHY GODWIN

JEF GRAHAM

LINWOOD A. LACY, JR.

GREGORY J. ROSSMANN

BARBARA V. SCHERER

JULIE A. SHIMER

Dated: April 23, 2012

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**Appendix A**

**NETGEAR, INC.**

**AMENDED AND RESTATED 2006 LONG-TERM INCENTIVE PLAN**

**SECTION 1. PURPOSE:** The purpose of the NETGEAR, Inc. Long-Term Incentive Plan is to provide certain employees and consultants of NETGEAR, Inc. and its Affiliates (as hereinafter defined) and members of the Board (as hereinafter defined) with the opportunity to receive stock-based and other long-term incentive grants in order to attract and retain qualified individuals and to align their interests with those of stockholders.

**SECTION 2. EFFECTIVE DATE:** This Plan originally became effective as of April 14, 2006. This Plan was most recently amended and restated by the Board on April 10, 2012, subject to stockholder approval at the 2012 annual meeting of stockholders. Unless sooner terminated as provided herein, the Plan shall terminate ten years from April 14, 2006. After the Plan is terminated, no future Awards may be granted under the Plan, but Awards previously granted shall remain outstanding in accordance with their applicable terms and conditions.

**SECTION 3. DEFINITIONS:** As used in this Plan, unless the context otherwise requires, each of the following terms shall have the meaning set forth below.

- (a) **Affiliate** shall mean any entity that, directly or indirectly, controls, is controlled by, or is under common control with, the Company.
- (b) **Award** shall mean a grant of an Option, SAR, Restricted Stock Award, Performance Award, or Other Stock Award pursuant to the Plan, which may, as determined by the Committee, be in lieu of other compensation owed to a Participant.
- (c) **Award Agreement** shall mean an agreement, either in written or electronic format, in such form and with such terms and conditions as may be specified by the Committee, which evidences the terms and conditions of an Award.
- (d) **Beneficiary** means the person or entity (including a trust or the estate of the Participant) designated by the Participant to succeed to any rights that he or she may have in Awards at the time of death. No such designation, or any revocation or change thereof, shall be effective unless made in writing by the Participant on a form provided by the Company and delivered to the Company prior to the Participant's death. If, on the death of a Participant, there is no living person or entity in existence so designated, the term **Beneficiary** shall mean the legal representative of the Participant's estate.
- (e) **Board of Directors** or **Board** shall mean the board of directors of the Company.
- (f) **Change in Control** means the happening of any of the following events:
  - (i) the merger or consolidation of the Company with any other corporation following which the holders of the Company's common stock immediately prior thereto hold less than 60% of the outstanding common stock of the surviving or resulting entity;
  - (ii) the sale of all or substantially all of the assets of the Company to any person or entity other than a wholly-owned subsidiary;
  - (iii) any person or group of persons acting in concert, or any entity, becomes the beneficial owner, directly or indirectly, of more than 20% of the Company's outstanding common stock, other than an acquisition of more than 20%, in one or more transactions, of the Company's outstanding common stock by (a) a passive institutional investor where such investor is eligible pursuant to Rule 13d-1(b) of the Securities Exchange Act of 1934 (the **Exchange Act**) to, and does, file a report of ownership on Schedule 13G with the Securities and Exchange Commission, (b) a trustee or other fiduciary of an employee benefit plan maintained by the Company, or (c) a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of the Company;

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- (iv) those individuals who, as of the close of the most recent annual meeting of the Company's stockholders, are members of the Board (the Existing Directors) cease for any reason to constitute more than 50% of the Board. For purposes of the foregoing, a new director will be considered an Existing Director if the election, or nomination for election by the Company's stockholders, of such new director was approved by a vote of a majority of the Existing Directors. No individual shall be considered an Existing Director if such individual initially assumed office as a result of either an actual or threatened election contest subject to Rule 14a-11 under the Exchange Act or other actual or threatened solicitation of proxies by or on behalf of anyone other than the Board of Directors, including by reason of any agreement intended to avoid or settle any election proxy contest; or
- (v) the stockholders of the Company adopt a plan of liquidation.
- (g) Code shall mean the Internal Revenue Code of 1986, as amended from time to time, and any references to a particular section of the Code shall be deemed to include any successor provision thereto.
- (h) Committee shall mean the Compensation Committee of the Board or such other committee of the Board of Directors, which shall consist solely of two or more outside directors within the meaning of Section 162(m) of the Code and non-employee directors within the meaning of Securities and Exchange Commission Rule 16b-3 promulgated under Section 16 of the Securities Exchange Act of 1934, as amended, or any such successor provision thereto.
- (i) Company shall mean NETGEAR, Inc., a Delaware corporation.
- (j) Consultant shall mean any person engaged by the Company or an Affiliate to render services to such entity as a consultant or advisor.
- (k) Disability shall mean that a Participant is eligible for Social Security disability benefits or disability benefits under the Company's long-term disability plan, based upon a determination by the Committee that the condition arose prior to termination of employment.
- (l) Eligible Director shall mean a member of the Board who is not an officer or employee of the Company or any of its Affiliates.
- (m) Eligible Employee shall mean an employee of the Company or any Affiliate.
- (n) Exercise Price shall mean an amount, as determined by the Committee, at which an Option or SAR can be exercised by a Participant, which amount shall not be less than the Fair Market Value of a Share on the date such Award is granted, unless such Option or SAR is granted pursuant to an assumption or substitution of another option or stock appreciation right in a manner that satisfies the requirements of Section 424(a) of the Code.
- (o) Fair Market Value shall mean, as of any date, the value of Shares as the Committee may determine in good faith by reference to the price of such stock on any established stock exchange or a national market system on the day of determination if the Shares are so listed on any established stock exchange or a national market system. If the Shares are not listed on any established stock exchange or a national market system, the value of the Shares will be determined by the Committee in good faith.
- (p) Full Value Equity Award shall mean any Award which results in the issuance of Shares other than Options, Stock Appreciation Rights or other Awards which are based solely on an increase in value of the Shares following the date of grant.
- (q) Incentive Stock Option means an Option that by its terms qualifies and is otherwise intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.
- (r) Nonqualified Stock Option shall mean an Option not intended to qualify as an Incentive Stock Option.
- (s) Option shall mean the right to purchase a Share granted pursuant to Section 8, which may take the form of either an Incentive Stock Option or a Nonqualified Stock Option.

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(t) Other Stock Award shall mean an Award of Shares or Awards that are valued in whole or in part, or that are otherwise based on, Shares, including but not limited to dividend equivalents or amounts which are equivalent to all or a portion of any federal, state, local, domestic, or foreign taxes relating to an Award, which may be payable in Shares, cash, other securities, or any other form of property as the Committee shall determine, subject to the terms and conditions set forth by the Committee and granted pursuant to Section 12.

(u) Parent means a parent corporation, whether now or hereafter existing, as defined in Section 424(e) of the Code.

(v) Participant shall mean an Eligible Employee, Consultant or Eligible Director selected by the Committee to receive Awards under the Plan.

(w) Performance Awards shall mean Awards of Performance Shares or Performance Units.

(x) Performance Goal(s) shall mean the level or levels of Performance Measures established by the Committee pursuant to Section 7.

(y) Performance Measures shall mean any of the following performance criteria, either alone or in any combination, which may be expressed with respect

to the Company or one or more operating units or groups, as the Committee may determine: cash flow; cash flow from operations; total earnings; earnings per share, diluted or basic; earnings per share from continuing operations, diluted or basic; earnings before interest and taxes; earnings before interest, taxes, depreciation, and amortization; earnings from operations; net asset turnover; inventory turnover; capital expenditures; net earnings; operating earnings; gross or operating margin; profit margin, debt; working capital; return on equity; return on net assets; return on total assets; return on capital; return on investment; return on sales; net or gross sales; market share; economic value added; cost of capital; change in assets; expense reduction levels; debt reduction; productivity; new product introductions; delivery performance; safety record; stock price; and total stockholder return. Performance Measures may be determined on an absolute basis or relative to internal goals or relative to levels attained in prior years or related to other companies or indices or as ratios expressing relationships between two or more Performance Measures. The Committee shall provide how any Performance Measure shall be adjusted to the extent necessary to prevent dilution or enlargement of any Award as a result of extraordinary events or circumstances, as determined by the Committee, or to exclude the effects of extraordinary, unusual, or non-recurring items; changes in applicable laws, regulations, or accounting principles; currency fluctuations; discontinued operations; non-cash items, such as amortization, depreciation, or reserves; asset impairment; or any recapitalization, restructuring, reorganization, merger, acquisition, divestiture, consolidation, spin-off, split-up, combination, liquidation, dissolution, sale of assets, or other similar corporate transaction; provided, however, that no such adjustment will be made if the effect of such adjustment would cause the Award to fail to qualify as performance based compensation within the meaning of Section 162(m) of the Code.

(z) Performance Period shall mean a period of at least 12 months established by the Committee pursuant to Section 7 at the end of which one or more Performance Goals are to be measured.

(aa) Performance Share shall mean an Award denominated in Shares, which is earned during a specified period subject to the terms and conditions as determined by the Committee and granted pursuant to Section 11.

(bb) Performance Unit shall mean an Award denominated in units having a value in dollars or such other currency, as determined by the Committee, which is earned during a specified period subject to the terms and conditions as determined by the Committee and granted pursuant to Section 11.

(cc) Plan shall mean the NETGEAR, Inc. Long-Term Incentive Plan, as amended and restated from time to time.

(dd) Restricted Stock shall mean an Award of Shares, subject to such terms and conditions as determined by the Committee and granted pursuant to Section 10.

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(ee) Restricted Stock Award shall mean an Award consisting of Restricted Stock or Restricted Stock Units.

(ff) Restricted Stock Unit shall mean an Award consisting of a bookkeeping entry representing an amount equivalent to the Fair Market Value of one Share, payable in cash or Shares, and representing an unfunded and unsecured obligation of the Company, subject to such terms and conditions as determined by the Committee and granted pursuant to Section 10.

(gg) Retirement shall mean termination of an Eligible Employee's employment with the Company and its Affiliates for retirement purposes if such termination occurs (1) on or after his or her sixty-fifth birthday; or (2) on or after his or her fifty-fifth birthday with the written consent of the Chief Executive Officer of the Company or, in the case of the Chief Executive Officer's retirement, with the consent of the Committee. In the case of an Eligible Director, Retirement shall be determined by the Committee in its discretion. In no event shall termination of a Consultant's services with the Company and Affiliates be treated as a Retirement under the Plan.

(hh) Shares shall mean shares of common stock, \$0.001 par value, of the Company.

(ii) Stock Appreciation Right or SAR shall mean an Award, which represents the right to receive the difference between the Fair Market Value of a Share on the date of exercise and an Exercise Price, payable in cash or Shares, subject to such terms and conditions as determined by the Committee and granted pursuant to Section 9.

(jj) Subsidiary means a subsidiary corporation, whether now or hereafter existing, as defined in Section 424(f) of the Code.

**SECTION 4. ADMINISTRATION:**

(a) Subject to the express provisions of this Plan, the Committee shall have authority to interpret the Plan, to prescribe, amend, and rescind rules and regulations relating to it, to designate Participants, to determine the terms and conditions of Awards, and to make all other determinations deemed necessary or advisable for the administration of the Plan. In exercising its discretion, the Committee may use such objective or subjective factors as it determines to be appropriate in its sole discretion. The determinations of the Committee pursuant to its authority under the Plan shall be conclusive and binding. The Committee may delegate to one or more officers of the Company the authority, subject to the terms and conditions as the Committee shall determine, to grant Awards to Participants who are not members of the Board or officers within the meaning of Section 16 of the Securities Exchange Act of 1934, as amended.

(b) The determination of any Award grants to Eligible Directors shall be made solely by the Eligible Directors and without the participation of any non-Eligible Directors or Eligible Employees. Awards granted to an Eligible Director shall generally be on par with Awards granted to all other comparable Eligible Directors.

(c) Notwithstanding anything to the contrary herein, any material amendment to the Plan shall require stockholder approval, which shall constitute the affirmative approval by a majority of shares present in person or by proxy and entitled to vote on the proposed material amendment. For the purposes of this Section 4(c), a material amendment would include (i) any material increase in the number of shares to be issued under the Plan (other than to reflect an event specified in Section 5(f)); (ii) any material increase in benefits to participants, including any material change to (a) permit a repricing (or decrease in exercise price) of outstanding options, (b) reduce the price at which shares or options to purchase shares may be offered, or (c) extend the duration of the Plan; (iii) any material expansion of the class of participants eligible to participate in the Plan; (iv) any expansion in the types of options or awards provided under the Plan and (v) the items set forth in Section 27 hereof.

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**SECTION 5. SHARES AVAILABLE FOR AWARDS:**

(a) Subject to adjustment as provided in Section 5(f), the maximum number of Shares available for issuance under the Plan shall be 9,500,000.

(b) If any Shares are subject to an Award that is forfeited, is settled in cash, expires, or is otherwise settled without the issuance of the full number of Shares underlying the Awards, any such Shares covered by such Award shall again be available for issuance under the Plan. Any Shares that are tendered by the Participant or retained by the Company as full or partial payment to the Company for the purchase of an Award or to satisfy tax withholding obligations in connection with an Award shall not be available for Awards under the Plan. For purposes of clarification, with respect to SARs, all of the Shares covered by the Award (that is, Shares actually issued pursuant to a SAR, as well as the Shares that represent payment of the exercise price) shall cease to be available under the Plan.

(c) Unless otherwise determined by the Committee, Awards that are designed to operate in tandem with other Awards shall not be counted against the maximum number of Shares available under Section 5(a) in order to avoid double counting.

(d) Notwithstanding the foregoing, and, subject to adjustment provided in Section 5(f), the maximum number of Shares that may be issued upon the exercise of Incentive Stock Options shall equal the aggregate number of Shares stated in Section 5(a), plus, to the extent allowable under Section 422 of the Code, any Shares that become available for issuance under the Plan under Section 5(b).

(e) Any Shares issued under the Plan shall consist, in whole or in part, of authorized and unissued Shares, Shares purchased in the open market or otherwise, Shares in treasury, or any combination thereof, as the Committee or, as appropriate, the Board may determine.

(f) In the event of any merger, reorganization, consolidation, recapitalization, stock dividend, stock split, reverse stock split, spin-off, combination, repurchase or exchange of Shares or other securities of the Company, or similar corporate transaction, as determined by the Committee, the Committee shall, in such manner as it may deem equitable and to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, adjust the number and type of Shares available for Awards under the Plan, the number and type of Shares subject to outstanding Awards, and the Exercise Price with respect to any Award; provided, however, that any fractional Share resulting from an adjustment pursuant to this Section 5(f) shall be rounded to the nearest whole number.

(g) Notwithstanding anything to the contrary herein, any Shares subject to Full Value Equity Awards will be counted against the numerical limits of this Section 5(a) as 1.58 Shares for every one Share subject thereto. Further, if Shares acquired pursuant to any such Full Value Equity Award are forfeited to the Company and would otherwise return to the Plan pursuant to Section 5(b), 1.58 times the number of Shares so forfeited will return to the Plan and will again become available for issuance.

**SECTION 6. ELIGIBILITY:** The Committee from time to time may designate which Eligible Employees, Eligible Directors and Consultants shall become Participants under the Plan; provided, however, that Incentive Stock Options may be granted only to employees of the Company or any Parent or Subsidiary of the Company.

**SECTION 7. CODE SECTION 162(m) PROVISIONS:**

(a) Notwithstanding any other provision of the Plan, if the Committee determines at the time an Award is made to a Participant that such Participant is or may be for the tax year in which the Company would claim a tax deduction in connection with the Award, a Covered Employee (as that term is defined in Section 162(m) of the Code), the Committee may provide, in writing, that this Section 7 is applicable to such Award under such terms and conditions as the Committee may specify.

(b) Notwithstanding any other provision of the Plan other than Section 5(f), if the Committee provides that this Section 7 is applicable to a particular Award, no Participant shall receive such an Award or Awards having an aggregate Option/SAR Value, Performance Share Value, and Performance Unit Value (as

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hereinafter defined) of greater than \$3,000,000 for any fiscal year of the Company, where: (i) the Option/SAR Value shall mean the Fair Market Value of the number of Shares underlying an Award of Options in any fiscal year of the Company or the Fair Market Value of a number of Shares equal to the number of SARs awarded in any fiscal year of the Company, with such Fair Market Value determined as of the date of grant of each Award, multiplied by 50%; (ii) the Performance Share Value shall mean the Fair Market Value, as of the date of grant of each such Award, of the maximum number of Shares that the Participant could receive from an Award of Performance Shares granted in the fiscal year; provided, however, that such number of Shares shall be divided by the number of full or partial fiscal years of the Company contained in the Performance Period of a particular Award, and provided further, that if any other Awards of Performance Shares are outstanding for such Participant for a given fiscal year, the Performance Share Value shall be increased for each such given fiscal year by the Fair Market Value of Shares that could be received by the Participant under all such other Awards calculated on the date each such Award was granted, divided, for each such Award, by the number of full or partial fiscal years of the Company contained in the Performance Period of each such outstanding Award; or (iii) the Performance Unit Value shall mean the maximum dollar value that the Participant could receive from an Award of Performance Units granted in the fiscal year, provided, however, that such amount shall be divided by the number of full or partial fiscal years of the Company contained in the Performance Period of a particular Award, and provided further, that if any other Awards of Performance Units are outstanding for such Participant for a given fiscal year, the Performance Unit Value shall be increased for each such given fiscal year by the amount that could be received by the Participant under all such other Awards, divided, for each such Award, by the number of full or partial fiscal years of the Company contained in the Performance Period of each such outstanding Award; provided, however, that the limitations set forth in this Section 7(b) shall be subject to adjustment under Section 5(f) of the Plan only to the extent that such adjustment does not affect the status of any Award intended under this Section 7 to qualify as performance based compensation under Section 162(m) of the Code. If an Option is granted in tandem with a SAR, such that exercise of the Option or SAR with respect to one Share cancels the tandem option or SAR, respectively, with respect to such Share, the tandem Option and SAR with respect to such Share shall be counted as covering only one Share for purposes of applying the limitation set forth in this Section 7(b).

(c) If an Award is subject to this Section 7, the grant of any Shares or cash shall be subject to the attainment of Performance Goals for the Performance Period. The Committee shall establish the Performance Goals within 90 days following the commencement of the applicable Performance Period, or such earlier time as prescribed by Section 162(m) of the Code or regulations thereunder, and a schedule detailing the total amount which may be available for payout based upon the relative level of attainment of the Performance Goals.

(d) The Committee may, in its discretion, reduce the amount of any Award subject to this Section 7 based on such criteria as it shall determine. However, the Committee may not increase the amounts payable pursuant to any Award subject to this Section 7 or waive the achievement of the applicable Performance Goals, except as the Committee may provide in a particular Award's Award Agreement for certain events, including but not limited to death, disability, or a change in ownership or control of the Company.

(e) Prior to the payment of any Award subject to this Section 7, the Committee shall verify in writing as prescribed by Section 162(m) of the Code or the regulations thereunder that the applicable Performance Goals were achieved.

(f) The Committee shall have the authority to impose such other restrictions on Awards subject to this Section 7 as it may deem necessary or appropriate to ensure that such Awards meet the requirements for performance based compensation under Section 162(m) of the Code.

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**SECTION 8. OPTIONS:** Subject to the terms and conditions of the Plan and this Section 8, the Committee may grant to Participants Options on such terms and conditions as the Committee may prescribe in such Options Award Agreement, including, but not limited to, the Exercise Price; vesting schedule; term of the Option; method of payment of the Exercise Price; treatment upon termination of employment or service of the Participant; and other terms and conditions that the Committee may deem appropriate:

(a) Each Option will be designated in the Award Agreement as either an Incentive Stock Option or a Nonqualified Stock Option. However, notwithstanding such designation, to the extent that the aggregate Fair Market Value of the Shares with respect to which Incentive Stock Options are exercisable for the first time by the Participant during any calendar year (under all plans of the Company and any Parent or Subsidiary) exceeds \$100,000, such Options will be treated as Nonqualified Stock Options. For purposes of this Section 8(a), Incentive Stock Options will be taken into account in the order in which they were granted. The Fair Market Value of the Shares will be determined as of the time the Option with respect to such Shares is granted.

(b) The Committee will determine the term of each Option in its sole discretion. Any Option granted under the Plan will not be exercisable after the expiration of ten (10) years from the date of grant or such shorter term as may be provided in the Award Agreement. Moreover, in the case of an Incentive Stock Option granted to a Participant who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any Parent or Subsidiary, the term of the Incentive Stock Option will be five (5) years from the date of grant or such shorter term as may be provided in the Award Agreement.

(c) The per share exercise price for the Shares to be issued pursuant to exercise of an Option will be determined by the Committee, but will be no less than 100% of the Fair Market Value per Share on the date of grant. In addition, in the case of an Incentive Stock Option granted to an Eligible Employee who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the per Share exercise price will be no less than 110% of the Fair Market Value per Share on the date of grant. Notwithstanding the foregoing provisions of this Section 8(c), Options may be granted with a per Share exercise price of less than 100% of the Fair Market Value per Share on the date of grant pursuant to a transaction described in, and in a manner consistent with, Section 424(a) of the Code.

(d) At the time an Option is granted, the Committee will fix the period within which the Option may be exercised and will determine any conditions that must be satisfied before the Option may be exercised.

(e) The Committee will determine the acceptable form(s) of consideration for exercising an Option, including the method of payment, to the extent permitted by applicable laws.

**SECTION 9. STOCK APPRECIATION RIGHT:** Subject to the terms and conditions of the Plan and this Section 9, the Committee may grant to Participants SARs on such terms and conditions as the Committee may prescribe in such SAR s Award Agreement, including, but not limited to, the Exercise Price; vesting schedule; term of the SAR; form of payment; treatment upon termination of employment or service of the Participant; and other terms and conditions that the Committee may deem appropriate:

(a) The Committee, subject to the provisions of the Plan, will have complete discretion to determine the terms and conditions of SARs granted under the Plan, provided, however, that the exercise price will be not less than 100% of the Fair Market Value of a Share on the date of grant.

(b) Each SAR grant will be evidenced by an Award Agreement that will specify the exercise price, the term of the SAR, the conditions of exercise, and such other terms and conditions as the Committee, in its sole discretion, will determine.

(c) A SAR granted under the Plan will expire upon the date determined by the Committee, in its sole discretion, and set forth in the Award Agreement. Notwithstanding the foregoing, any SARs granted under the Plan will not be exercisable after the expiration of ten (10) years from the date of grant or such shorter term as may be provided in the Award Agreement.



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(d) Upon exercise of a SAR, a Participant will be entitled to receive payment from the Company in an amount determined by multiplying (i) the difference between the Fair Market Value of a Share on the date of exercise over the exercise price; times (ii) the number of Shares with respect to which the SAR is exercised. At the discretion of the Committee, the payment upon SARs exercise may be in cash, in Shares of equivalent value, or in some combination thereof.

**SECTION 10. RESTRICTED STOCK AWARD:** Subject to the terms and conditions of the Plan, the Committee may grant to Participants Restricted Stock Awards on such terms and conditions as the Committee may prescribe in such Restricted Stock Award s Award Agreement, including, but not limited to, the vesting schedule; purchase price, if any; deferrals allowed or required; treatment upon termination of employment or service of the Participant; and other terms and conditions that the Committee may deem appropriate. Notwithstanding the foregoing, except as set forth in Sections 14 and 16 hereof, the period over which any Restricted Stock Award may fully vest will be no less than three (3) years.

**SECTION 11. PERFORMANCE AWARDS:** Subject to the terms and conditions of the Plan, the Committee may grant to Participants Performance Awards on such terms and conditions as the Committee may prescribe in such Performance Award s Award Agreement, including, but not limited to, the performance period (which will be no less than 12 months); performance criteria; treatment upon termination of employment or service of the Participant; and other terms and conditions that the Committee may deem appropriate.

**SECTION 12. OTHER STOCK AWARDS:** Subject to the terms and conditions of the Plan, the Committee may grant to Participants Other Stock Awards on such terms and conditions as the Committee may prescribe in such Other Stock Award s Award Agreement, including, but not limited to, the vesting schedule, if any; purchase price, if any; deferrals allowed or required; treatment upon termination of employment or service of the Participant; and other terms and conditions that the Committee may deem appropriate.

**SECTION 13. PROHIBITION ON REPRICING:** The Committee shall not reduce the Exercise Price of any outstanding Option or SAR, whether through amendment, cancellation, replacement, or any other means, without the approval of stockholders. This Section 13 shall not be construed to apply: (i) to the Options or SARs granted pursuant to an assumption or substitution of another option in a manner that satisfies the requirements of Section 424(a) of the Code; or (ii) to an adjustment made pursuant to Section 5(f) of the Plan.

**SECTION 14. TERMINATION OF EMPLOYMENT:** Unless determined otherwise by the Committee with respect to any Award granted under the Plan, the following rules shall apply to Awards following a Participant s termination of employment with the Company and its Affiliates (or termination of services, in the case of a Consultant):

(a) All unvested Awards shall be forfeited on the date of a Participant s termination of employment for reasons other than Retirement, Disability or death.

(b) Upon a Participant s termination of employment by reason of Retirement, Disability or death, all unvested Options, SARs, Restricted Stock Awards and Other Stock Awards shall become fully vested and any Performance Shares or Performance Units shall be payable to the extent determined by the Committee.

(c) Upon termination of employment by reason of Retirement or Disability, Options shall be exercisable until not later than the earlier of three years after the termination date or expiration of their term. Upon the death of a Participant while employed by the Company or an Affiliate or after terminating by reason of Retirement or Disability, Options shall be exercisable by the Participant s Beneficiary not later than the earliest of one year after the date of death, three years after the date of termination due to Retirement or Disability, or the expiration of their term. All SARs that become vested on termination of employment by reason of Retirement, Disability or death shall be exercisable as determined by the Committee, which determination may provide for an automatic exercise date.

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(d) Upon termination for any reason other than Retirement, Disability or death, any Options vested prior to such termination may be exercised during the three-month period (or such other period as may be set by the Committee) commencing on the termination date, but not later than the expiration of their term. If a Participant dies during such post-employment period, such Participant's Beneficiary may exercise the Options (to the extent they were vested and exercisable on the date of employment termination), but not later than the earlier of one year after the date of death or the expiration of their term.

**SECTION 15. WITHHOLDING:** The Committee may make such provisions and take such steps as it may deem necessary and appropriate for the withholding of any taxes that the Company is required by law or regulation of any governmental authority, whether federal, state, local, domestic, or foreign, to withhold in connection with the grant, exercise, payment, or removal of restrictions of an Award, including, but not limited to, requiring the Participant to remit to the Company an amount sufficient to satisfy such withholding requirements in cash or Shares or withholding cash or Shares due or to become due with respect to the Award at issue.

**SECTION 16. CHANGE IN CONTROL:** In the event of a Change in Control, all Awards shall vest and the value of each Participant's Performance Units and Performance Shares shall immediately be paid in cash or shares to the Participant in accordance with the relevant Award Agreement. SARs that become vested upon a Change in Control shall be exercisable as determined by the Committee, which determination may provide for an automatic exercise date. The surviving entity in the event of a Change in Control may assume such fully vested Awards without the consent of Participants.

**SECTION 17. POSTPONEMENT OF ISSUANCE AND DELIVERY:** The issuance and delivery of any Shares under this Plan may be postponed by the Company for such period as may be required to comply with any applicable requirements under any applicable listing requirement of any national securities exchange or any law or regulation applicable to the issuance and delivery of Shares, and the Company shall not be obligated to issue or deliver any Shares if the issuance or delivery of such Shares shall constitute a violation of any provision of any law or regulation of any governmental authority or any national securities exchange.

**SECTION 18. NO RIGHT TO AWARDS:** No employee or Consultant shall have any claim to be granted any Award under the Plan, and there is no obligation for uniform treatment of employees, Consultants or Directors under the Plan. The terms and conditions of Awards need not be the same with respect to different Participants.

**SECTION 19. NO RIGHT TO EMPLOYMENT OR DIRECTORSHIP:** The grant of an Award shall not be construed as giving a Participant the right to be retained in the employ or as a Consultant of the Company or an Affiliate or any right to remain as a member of the Board, as the case may be. The Company may at any time terminate an employee's employment or a Consultant's provision of services free from any liability or any claim under the Plan, unless otherwise provided in the Plan or an Award Agreement.

**SECTION 20. NO RIGHTS AS A STOCKHOLDER:** A Participant shall have no rights as a stockholder with respect to any Shares covered by an Award until the date of the issuance and delivery of such Shares.

**SECTION 21. SEVERABILITY:** If any provision of the Plan or any Award is, becomes, or is deemed to be invalid, illegal, or unenforceable in any jurisdiction or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Committee, materially altering the purpose or intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction or Award, and the remainder of the Plan or such Award shall remain in full force and effect.

**SECTION 22. NO TRUST OR FUND CREATED:** Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any

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Affiliate and a Participant or any other person. To the extent any person acquires a right to receive payments from the Company or an Affiliate pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Company or any Affiliate.

**SECTION 23. HEADINGS:** Headings are given to the Sections of the Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Plan or any provisions thereof.

**SECTION 24. NONASSIGNABILITY:** Unless otherwise determined by the Committee, no Participant or Beneficiary may sell, assign, transfer, discount, or pledge as collateral for a loan, or otherwise anticipate any right to payment under the Plan other than by will or by the applicable laws of descent and distribution. Under such procedures as the Committee may establish, Awards may be transferred by gift to members of a Participant's immediate family (i.e., children, grandchildren and spouse) or to one or more trusts for their benefit or to partnerships in which such family members and the Participant are the only partners, provided that (i) any agreement governing such Award expressly so permits or is amended to so permit, (ii) the Participant does not receive any consideration for such transfer, and (iii) the Participant provides such documentation or information concerning any such transfer or transferee as the Committee may reasonably request. Any transferred Awards shall be subject to the same terms and conditions that applied immediately prior to their transfer. In no event shall such transfer rights apply to any Incentive Stock Option.

**SECTION 25. INDEMNIFICATION:** In addition to such other rights of indemnification as members of the Board or the Committee or officers or employees of the Company or an Affiliate to whom authority to act for the Board or Committee is delegated may have, such individuals shall be indemnified by the Company against all reasonable expenses, including attorneys' fees, incurred in connection with the defense of any action, suit, or proceeding, or in connection with any appeal thereof, to which any such individual may be a party by reason of any action taken or failure to act under or in connection with the Plan or any right granted hereunder and against all amounts paid by such individual in a settlement thereof that is approved by the Company's legal counsel or paid in satisfaction of a judgment in any such action, suit, or proceeding, except in relation to matters as to which it shall be adjudged that such person is liable for gross negligence, bad faith, or intentional misconduct; provided, however, that any such individual shall give the Company an opportunity, at its own expense, to defend the same before such individual undertakes to defend such action, suit, or proceeding.

**SECTION 26. FOREIGN JURISDICTIONS:** The Committee may adopt, amend, or terminate arrangements, not inconsistent with the intent of the Plan, to make available tax or other benefits under the laws of any foreign jurisdiction to Participants subject to such laws or to conform with the laws and regulations of any such foreign jurisdiction.

**SECTION 27. TERMINATION AND AMENDMENT:** Subject to the approval of the Board, where required, the Committee may at any time and from time to time alter, amend, suspend, or terminate the Plan in whole or in part; provided, however, that no action shall be taken by the Board or the Committee without the approval of stockholders that would:

- (a) Increase the maximum number of Shares that may be issued under the Plan, except as provided in Section 5(f);
- (b) Increase the limits applicable to Awards under the plan, except as provided in Sections 5(f) and 7(b);
- (c) Allow for an Exercise Price below the Fair Market Value of Shares on the date of grant of an Option or SAR, except as provided in Section 3(n);
- (d) Amend Section 13 to permit the repricing of outstanding Options or SARs; or
- (e) Require approval of the Company's stockholders under any applicable law, regulation, or rule.

Notwithstanding the foregoing, no termination or amendment of the Plan may, without the consent of the applicable Participant, terminate or adversely affect any material right or obligation under an Award previously

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granted under the Plan; provided, however, that the Committee may alter, amend, suspend, or terminate the Plan or an Award in whole or in part, without the consent of the Participant, to the extent necessary to conform the provisions of the Plan or an Award with Section 409A of the Code or regulations thereunder regardless of whether such alteration, amendment, suspension, or termination adversely affects the rights or obligations under the Award.

**SECTION 28. APPLICABLE LAW:** This Plan shall be governed by and construed in accordance with the laws of the State of California, without regard to its principles of conflict of laws.

**SECTION 29. NO GUARANTEE OF FAVORABLE TAX TREATMENT:** Although the Committee intends to administer the Plan so that Awards will be exempt from, or will comply with, the requirements of Section 409A of the Code, the Company does not warrant that any Award under the Plan will qualify for favorable tax treatment under Section 409A of the Code or any other provision of federal, state, local, or foreign law. The Company shall not be liable to any Participant for any tax the Participant might owe as a result of the grant, holding, vesting, exercise, or payment of any Award under the Plan.

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