

NETGEAR, INC
Form DEF 14A
April 21, 2017
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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 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)

No fee required

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

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

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(3) Filing Party:

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NETGEAR, INC.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Thursday, June 1, 2017

10:00 a.m. Pacific Daylight Time

To Our Stockholders:

The 2017 Annual Meeting of Stockholders of NETGEAR, Inc. will be held on Thursday, June 1, 2017, 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, 2017;
3. To approve the non-binding advisory proposal regarding executive compensation;
4. To approve the non-binding advisory proposal regarding the frequency of the advisory vote on executive compensation;
5. To approve our board of directors' proposal to amend our Certificate of Incorporation and Bylaws to allow stockholders to request special stockholder meetings;
6. To vote on a proposal submitted by a stockholder regarding special stockholder meetings, if properly presented at the meeting; and
7. 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 3, 2017 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 21, 2017

YOUR VOTE IS IMPORTANT
PLEASE VOTE AS PROMPTLY AS POSSIBLE.

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NETGEAR, INC.

PROXY STATEMENT FOR THE
2017 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 2017 Annual Meeting of Stockholders, which will take place at 10:00 a.m. Pacific Daylight Time on Thursday, June 1, 2017 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, 2016, 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 21, 2017 to all of our stockholders as of the record date, April 3, 2017. Stockholders who owned NETGEAR common stock at the close of business on April 3, 2017 are entitled to attend and vote at the annual meeting. On the record date, approximately 32,898,681 shares of our common stock were issued and outstanding and no shares of our preferred stock were issued and outstanding. We had 21 stockholders of record as of the record date and our common stock was held by approximately 19,064 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, 2016, 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 six (6) 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,” “Proposal Four,” “Proposal Five” and “Proposal Six.” Each share of NETGEAR common stock you own entitles you to one vote.

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, 2017;
- FOR the non-binding advisory proposal regarding executive compensation;
- FOR the vote every year in the non-binding advisory proposal regarding the frequency of the advisory vote on executive compensation;
- FOR the approval of the Board's proposal to amend our Certificate of Incorporation and Bylaws to allow stockholders to request special stockholder meetings; and
- AGAINST the stockholder proposal regarding special stockholder meetings.

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 Corporate Secretary at NETGEAR, Inc., 350 East Plumeria Drive, San Jose, California 95134, or calling our Corporate 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 or calling our Corporate Secretary. You may receive a copy of NETGEAR's Annual Report on Form 10-K for the year ended December 31, 2016 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.

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 do any of the following:

- sign and return another proxy bearing a later date;
- provide written notice of the revocation to the Company's Corporate 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.

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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. Pursuant to our corporate governance guidelines, it is our policy that any nominee for director in an uncontested election who receives a greater number of votes “withheld” from his or her election than votes “for” such election shall submit his or her offer of resignation for consideration by our Nominating and Corporate Governance Committee and our Board of Directors. The election of directors pursuant to this proposal is an uncontested election, and therefore, this majority voting policy will apply.

Proposal Two - Ratification of the Appointment of PricewaterhouseCoopers LLP as Our Independent Registered Public Accounting Firm for the Fiscal Year Ending December 31, 2017. 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 Regarding Executive Compensation. Approval of the non-binding advisory proposal regarding 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 Non-Binding Advisory Vote on Frequency of Advisory Vote on Executive Compensation. The option of one year, two years or three years that receives the highest number of votes cast by stockholders will be the non-binding frequency for the advisory vote on executive compensation approved by stockholders. You may vote “for” (i) one year, (ii) two years, (iii) three years, or “abstain” from voting on this proposal.

Proposal Five - Approval of the Board's Proposal to Amend our Certificate of Incorporation and Bylaws to Allow Stockholders to Request Special Stockholder Meetings. Approval of the Board's proposal to amend our Certificate of Incorporation and Bylaws to allow stockholders to request special stockholder meetings will require the affirmative vote of a majority of the shares outstanding and entitled to vote. You may vote “for,” “against,” or “abstain” from voting on this proposal.

Proposal Six - Stockholder Proposal Regarding Special Stockholder Meetings. Approval of the stockholder proposal regarding special stockholder meetings 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

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, Four, Five or Six, your abstention will have the same effect as a vote against such Proposal(s).

Broker Non-Votes

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.

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 the advisory vote regarding our executive compensation (Proposal Three), the approval of the advisory vote regarding the frequency of the advisory vote on

executive compensation (Proposal Four), the approval of the Board's proposal to amend our Certificate of Incorporation and Bylaws to allow stockholders to request

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special stockholder meetings (Proposal Five) and the stockholder proposal regarding special stockholder meetings (Proposal Six). If you hold your shares in street name and you do not instruct your bank, broker or other nominee how to vote for Proposal One, Proposal Three, Proposal Four, Proposal Five or Proposal Six, no votes will be cast on your behalf for those Proposals.

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 Corporate 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 or Director Nominations for 2018 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 2018 Annual Meeting must be received by us no later than December 22, 2017 (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 2018 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 2018 Annual Meeting is March 7, 2018, 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 2018 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 1, 2018 in connection with our 2018 Annual Meeting. 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 year's proxy statement, notice by the stockholder must be received not later than the 10th business day following the day notice of the date of the meeting was mailed or public disclosure was made, whichever occurs first.

In 2016, we amended our amended and restated bylaws to permit a stockholder, or group of up to 50 stockholders, owning continuously for at least three years shares of our common stock representing an aggregate of at least 3% of our outstanding shares, to nominate and include in our proxy statement director nominees constituting up to the greater of two directors or 20% of the total number of directors then serving on our Board of Directors, provided that the stockholder(s) and nominee(s) satisfy the requirements specified in our amended and restated bylaws. Notice of such "proxy access" director nominees for our 2018 Annual Meeting must be received no earlier than November 22, 2017 (150 calendar days prior to the anniversary of the filing date of this definitive proxy statement) and no later than December 22, 2017 (120 calendar days prior to the anniversary of the filing date of this definitive proxy statement). A stockholder's notice shall include the information required by our amended and restated bylaws. A copy of the full text of our amended and restated bylaws is available in the investor relations section of our website at

www.netgear.com. Proposals or nominations should be sent to our Corporate Secretary, c/o NETGEAR, Inc., 350 East Plumeria Drive, San Jose, California 95134.

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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 Corporate 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 Corporate 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 Corporate 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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ELECTION OF DIRECTORS

Nominees

The nine (9) nominees for election at the Annual Meeting of Stockholders are Patrick C.S. Lo, Jocelyn E. Carter-Miller, Ralph E. Faison, Jef T. Graham, Gregory J. Rossmann, Barbara V. Scherer, Julie A. Shimer, Grady K. Summers and Thomas H. Waechter. If elected, they will each serve as a director until the Annual Meeting of Stockholders in 2018, and until their respective successors are elected and qualified or until their earlier resignation or removal.

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.

Information Concerning the Nominees and Incumbent Directors

The names of the nominees and certain biographical information about them as of April 3, 2017 are set forth below:

Name	Age	Office	Director Since
Patrick C.S. Lo	60	Chairman and Chief Executive Officer/Nominee	2000
Jocelyn E. Carter-Miller	59	Director/Nominee	2009
Ralph E. Faison	58	Director/Nominee	2003
Jef T. Graham	61	Director/Nominee	2005
Gregory J. Rossmann	55	Director/Nominee	2002
Barbara V. Scherer	61	Director/Nominee	2011
Julie A. Shimer	64	Director/Nominee	2007
Grady K. Summers	40	Director/Nominee	2016
Thomas H. Waechter	64	Director/Nominee	2014

Patrick C.S. Lo is our co-founder and has served as our Chairman and Chief Executive Officer since March 2002. Mr. Lo 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.

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 consulting and management firm that develops and markets high-performance personal and community empowerment programming. 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, Vice President and GM of International Networks Division Latin America and EMEA Operations 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 is a NACD Directorship 100 recipient and has been recognized as a Savoy Most Influential Black Corporate Director. 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.

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Ralph E. Faison has served as one of our directors since August 2003. Mr. Faison currently is a private investor. Mr. Faison served as 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, from January 2011 to July 2014, including Chairman of the Board from March 2011 to July 2014. 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 recent public company chairman and chief executive officer, he advises the Company on many aspects of public company management.

Jef T. Graham has served as one of our directors since July 2005. Since September 2016, Mr. Graham has served as Chairman and Chief Executive Officer of Console Connect Inc., a provider of global direct connect solutions. From February 2015 to August 2016, Mr. Graham was a private investor. From January 2006 to January 2015, Mr. Graham 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 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.

Gregory J. Rossmann has served as one of our directors since February 2002. Since April 2016, Mr. Rossmann has served as a General Partner at Oak Investment Management, a late stage growth and private equity investor. From February 2009 to March 2016, Mr. Rossmann was 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 currently is a private investor. Ms. Scherer was Senior Vice President, finance and administration and chief financial officer of Plantronics, Inc., a

global leader in audio communication devices for businesses and consumers, from 1998 to 2012. In this position, she was responsible for all aspects of the company's financial management, as well as information technology, legal and investor relations. She was Vice President, finance and administration and chief financial officer of Plantronics from 1997 to 1998. Prior to Plantronics, 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 currently serves on the Board of Directors of ANSYS, Inc., a publicly traded engineering simulation software and services company, as well as the Board of Directors of Ultra Clean Holdings, Inc., a publicly traded developer and supplier of systems for the semiconductor capital equipment, flat panel, medical, energy and research industries. From 2004 through 2010, she served as a director of Keithley Instruments, Inc., a publicly traded test and measurement company, until its acquisition by Danaher Corporation. She also has experience serving on the boards of non-profit organizations. Ms. Scherer received B.A. degrees from

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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.

Julie A. Shimer, Ph.D. has served as one of our directors since March 2007. Dr. Shimer currently is a private investor. Dr. Shimer 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 Windstream Holdings, Corp. and a member of the Board of Directors of Halyard Health, Inc. 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. Dr. 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.

Grady K. Summers has served as one of our directors since January 2016. Mr. Summers is Executive Vice President and Chief Technology Officer of FireEye, Inc., a leading provider of comprehensive cybersecurity solutions for detecting, preventing and resolving advanced cyber-attacks, where he oversees the global CTO team and Product Management. He joined FireEye through its acquisition of Mandiant in 2014. At Mandiant, Mr. Summers served as the Vice President of Strategic Solutions and led the company's strategic consulting and customer success divisions. Prior to Mandiant, from 2010 to 2012, Mr. Summers was a principal at Ernst & Young. Before E&Y, from 1999 to 2010, he held various roles at General Electric, most recently as the Chief Information Security Officer overseeing a large global information security organization. Mr. Summers holds an MBA from Columbia University and a B.S. in computer systems from Grove City College in Pennsylvania. As a current chief technology officer of a public company, Mr. Summers provides the Company with extensive technology experience and strategic insight.

Thomas H. Waechter has served as one of our directors since December 2014. Mr. Waechter currently is a private investor. From January 2009 to August 2015, Mr. Waechter served as President, Chief Executive Officer and a member of the board of directors of JDS Uniphase Corporation (now Viavi Solutions Inc.), a leading provider of communications test and measurement solutions and optical products. He previously served as Executive Vice President and President of the Communications Test & Measurement Group of JDS Uniphase Corp. from 2007 until becoming Chief Executive Officer. Prior to that, Mr. Waechter held a wide variety of executive positions, including Chief Operating Officer at Harris Stratex Networks (now Aviat Networks, Inc.), President and Chief Executive Officer at Stratex Networks, President and Chief Executive Officer at REMEC Corporation and President and Chief Executive Officer of Spectrian Corporation. Additionally, he held a number of global executive-level positions during his 14-year career with Schlumberger Ltd. He holds a Bachelor of Business Administration from The College of William and Mary. As a recent chief executive officer of a public company and as a prior senior executive in a variety of highly relevant technology companies and international industries, Mr. Waechter provides the Company with extensive operational, strategic and executive management experience.

Vote Required and Board of Directors' Recommendation

The nine (9) nominees receiving the greatest number of votes of the shares present and entitled to vote at the annual meeting will be elected as directors. Stockholders are not entitled to cumulative voting in the election of directors.

Pursuant to our corporate governance guidelines, it is our policy that any nominee for director in an uncontested election who receives a greater number of votes “withheld” from his or her election than votes “for” such election shall submit his or her offer of resignation for consideration by our Nominating and Corporate Governance Committee and our Board of Directors. The election of directors pursuant to this proposal is an uncontested election, and therefore, this majority voting policy will apply. 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.

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Board and Committee Meetings

Our Board of Directors held a total of seven meetings during 2016. In addition, we strongly encourage the attendance of members of our Board of Directors at the annual meeting. At the 2016 Annual Meeting of Stockholders, all of our then-continuing directors attended in person.

There are no family relationships between any director or executive officer. Our Board of Directors has standing Audit, Compensation, and Nominating and Corporate Governance Committees. Other than Mr. Lo, each member of our Board of Directors 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.

In 2016, all of our directors attended at least 88% 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.

Committee	Year of Inception	Members at the End of 2016	Committee Functions	Meetings Held in 2016
Audit	2000	Barbara V. Scherer (Chair)	1Reviews internal accounting procedures	9
		Jocelyn E. Carter-Miller	1Appoints independent registered public accounting firm	
Compensation	2000	Jef T. Graham	1Reviews annual audit plan of the independent auditor, the results of the independent audit, and the report and recommendations of the independent auditor	6
		Grady K. Summers	1Evaluates the adequacy of our internal financial and accounting processes and controls	
Nominating and Corporate Governance	2004	Thomas H. Waechter (Chair) (1)	1Administers our equity plans	6
		Jocelyn E. Carter-Miller	1Reviews and approves compensation of directors and officers, and makes recommendations to the Board with respect thereto	
		Ralph E. Faison	1Reviews and recommends general policies relating to compensation and benefits	
		Gregory J. Rossmann	1Assists with succession planning for executive management positions	
		Julie A. Shimer (Chair)	1Oversees and evaluates Board performance	
		Ralph E. Faison	1Evaluates composition, organization and governance of the Board and its committees	
		Gregory J. Rossmann		
		Thomas H. Waechter		

(1) In June 2016, Mr. Waechter was appointed as Chair of the Compensation Committee.

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 in the investor relations section of our website at

www.netgear.com. Our Board of Directors has determined that each member of the Audit Committee is an “audit committee financial expert,” as defined in the rules of the Securities and Exchange Commission. None of the members of the Audit Committee is an employee of NETGEAR. Ms. Scherer serves as Chair 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 in the investor relations section of our website at www.netgear.com. Our Board of Directors has determined that all members of the Compensation Committee meet the non-employee director definition of Rule 16b-3 promulgated under Section 16 of the 1934 Act, the outside director definition of Section 162(m) of the Internal Revenue Code of 1986, as amended (the “Code”), and the independence standards of the applicable NASDAQ Marketplace Rules. The Compensation Committee may form and delegate authority to subcommittees (consisting solely of Compensation Committee members) when appropriate. Mr. Waechter serves as Chair of our Compensation Committee.

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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 in the investor relations section of our website at www.netgear.com. None of the members of the Nominating and Corporate Governance Committee is an employee of NETGEAR. Dr. Shimer serves as Chair 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 (either for inclusion in our proxy statement via "proxy access" or not for inclusion in our proxy statement), is described above in the section entitled "General Information - Deadline for Receipt of Stockholder Proposals or Director Nominations for 2018 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 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 its evaluation of director candidates, including the members of our Board of Directors eligible for re-election, the Nominating and Corporate Governance Committee considers, among other factors:

- 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 actual or 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 in the investor relations section of our website at 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:

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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 standard Board and Committee compensation.
- ¶ Dr. Shimer serves as the lead independent outside director.
- ¶ 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, including any violations of our anti-corruption compliance policy. We will post any amendments to, or waivers from, our code of ethics on our website.

Directors stand for re-election every year. Pursuant to our corporate governance guidelines, it is our policy that any nominee for director in an uncontested election who receives a greater number of votes “withheld” from his or her election than votes “for” such election shall submit his or her offer of resignation for consideration by our Nominating and Corporate Governance Committee and our Board of Directors.

- ¶ 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.
- ¶ 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 2016 Annual Meeting of Stockholders, all of our then-continuing directors attended 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.
- ¶ Under our insider trading policy, directors and employees, including our executive officers, are prohibited from hedging or pledging of the Company's securities and from investing in derivatives of the Company's securities.

Related Party Transactions

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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2016 Related Party Transactions

We have determined that there were no related party transactions to disclose in 2016.

Stockholder Engagement

We believe that effective corporate governance should include regular, constructive conversations with our stockholders. We value our stockholders' continued interest and feedback, and we are committed to maintaining an active dialogue to ensure that we understand our stockholders' priorities and concerns, particularly with respect to our executive compensation practices and corporate governance policies. We endeavor to be accessible to our stockholders to address questions and concerns as they arise, as well as to pro-actively conduct outreach efforts.

Examples of recent outcomes from these efforts include:

the final design of our 2016 Equity Incentive Plan, on which we sought specific input from many of our largest institutional stockholders in advance of our 2016 Annual Meeting, where stockholders approved this new equity plan by a significant margin;

our Board's decision to pro-actively adopt amendments to our Bylaws in 2016 to implement proxy access, following input from a number of our large institutional stockholders; and

our Board's decision to pro-actively propose amendments to our Certificate of Incorporation and Bylaws at our 2015 Annual Meeting to eliminate supermajority stockholder vote requirements and replace them with majority vote requirements.

In addition, as described further under Compensation Discussion and Analysis below, the results of our annual say-on-pay advisory votes have demonstrated consistent and significant support for our approach to executive compensation. We also consistently receive positive feedback from institutional stockholders regarding our corporate governance policies and practices.

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 any 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

Dr. Shimer has served as the lead independent director since July 2013. Dr. Shimer also serves as the Chair of the Nominating and Corporate Governance Committee. As the lead independent director, Dr. Shimer 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.

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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 \$15,000.

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 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 a director for at least six months at the time of our annual stockholder meeting is eligible to receive a grant of a number of restricted stock units equal to \$200,000 divided by the closing price of the Company's common stock on the date of such meeting. These restricted stock units become fully vested on the date of the following year's annual stockholder meeting.

In order to encourage continuing director education, the Nominating and Corporate Governance Committee has also 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 at least annually regarding its findings on enterprise risk and the Company's management of this risk. The Risk Committee is led by the Company's internal audit team and is composed of department heads and leaders across the Company. The Risk Committee meets on a regular basis and reviews enterprise risk across the Company's various functional groups.

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Fiscal Year 2016 Director Compensation

The following Director Compensation Table sets forth certain information regarding the compensation of our non-employee directors for the 2016 fiscal year.

Name	Fees Earned In Cash (\$)	Stock Awards (\$ (1))	Option Awards (\$ (2))	Total (\$)
Jocelyn E. Carter-Miller (3)	46,000	199,971	—	245,971
Ralph E. Faison (3)	46,000	199,971	—	245,971
A. Timothy Godwin (4)	19,500	—	—	19,500
Jef T. Graham (3)	40,000	199,971	—	239,971
Gregory J. Rossmann (3)	43,000	199,971	—	242,971
Barbara V. Scherer (3)	60,000	199,971	—	259,971
Julie A. Shimer (3)	58,500	199,971	—	258,471
Grady K. Summers (3)	39,000	490,931	—	529,931
Thomas H. Waechter (3)	47,000	199,971	—	246,971

The amounts included in the “Stock Awards” column represent the full grant date value of non-option stock awards (restricted stock units) granted in 2016 calculated utilizing the provisions of the authoritative guidance for stock compensation without regard to vesting. For a discussion of the valuation assumptions, see Note 10 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2016. As of December 31, 2016, each Director had the following number of restricted stock units outstanding: Jocelyn E. Carter-Miller, 4,394 units; Ralph E. Faison, 4,394 units; A. Timothy Godwin, 0; Jef T. Graham, 4,394 units; Gregory J. Rossmann, 4,394 units; Barbara V. Scherer, 4,394 units; Julie A. Shimer, 4,394 units; Grady K. Summers, 12,394 units; and Thomas H. Waechter, 7,061 units.

As of December 31, 2016, each Director had the following number of options outstanding: Jocelyn E. Carter-Miller, 0; Ralph E. Faison, 0; A. Timothy Godwin, 0; Jef T. Graham, 0; Gregory J. Rossmann, 1,800; Barbara V. Scherer, 0; Julie A. Shimer, 0; Grady K. Summers, 0; and Thomas H. Waechter, 0.

On June 3, 2016, each of these directors was issued 4,394 restricted stock units, which vest entirely on the date of the 2017 Annual Meeting of Stockholders. Each grant of these restricted stock units had a grant date fair value of \$199,971. There were no stock option awards made to the directors in 2016.

A. Timothy Godwin did not stand for re-election to the Board of Directors at our 2016 Annual Meeting of Stockholders.

Director Stock Ownership Guidelines

Our Board of Directors has adopted stock ownership guidelines for our directors and executive officers. The guidelines require our directors to own a minimum of 5,000 shares of NETGEAR common stock, including restricted stock, restricted stock units and similar instruments. New 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 substantial compliance with the guidelines.

Compensation Committee Interlocks and Insider Participation

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.

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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, 2017 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, 2016. 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, 2016 and December 31, 2015:

Fee Category	2016 Fees	2015 Fees
Audit Fees	\$1,794,075	\$1,713,175
Audit-Related Fees	—	5,837
Tax Fees	508,119	369,405
All Other Fees	3,600	3,600
Total Fees	\$2,305,794	\$2,092,017

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, acquisitions, 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 2017 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.

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 appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2017.

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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 Barbara V. Scherer, Jocelyn E. Carter-Miller, Jef T. Graham, and Grady K. Summers, 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 July 2015, 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, 2016. 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 U.S. generally accepted accounting principles ("GAAP"), 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 those described in Auditing Standard No. 1301, "Communications with Audit Committees," as adopted and as may be amended from time to time by the Public Company Accounting Oversight Board (the "PCAOB"). 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, 2016, as filed with the Securities and Exchange Commission on February 24, 2017.

Respectfully submitted by:

THE AUDIT COMMITTEE

BARBARA V. SCHERER (CHAIR)
JOCELYN E. CARTER-MILLER
JEF T. GRAHAM
GRADY K. SUMMERS

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PROPOSAL THREE

APPROVAL OF NON-BINDING 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 to approve compensation to our Named Executive Officers set forth in the Summary Compensation Table.

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 2016 compensation of the Named Executive Officers. The following highlights important aspects of executive compensation with respect to our Named Executive Officers in fiscal year 2016:

• Approximately 77% of total compensation for our Named Executive Officers is variable and tied to achievement of internal performance targets or Company performance;

• We granted long-term equity awards 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 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 CD&A, 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 2017 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."

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. Subject to the results of the stockholder advisory vote in Proposal Four, the Company currently anticipates conducting an advisory vote to approve the Company's executive compensation annually. The next such vote would be conducted at our 2018 Annual Meeting of 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 approval of the compensation of our Named Executive Officers.

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PROPOSAL FOUR

APPROVAL OF NON-BINDING ADVISORY VOTE ON FREQUENCY OF ADVISORY VOTE ON EXECUTIVE COMPENSATION

As described in Proposal Three above, our stockholders are being provided the opportunity to cast an advisory vote on our compensation program for Named Executive Officers. The advisory vote in Proposal Three is referred to as a “say-on-pay vote.” This Proposal Four affords stockholders the opportunity to cast an advisory vote on how often we should include a say-on-pay vote in our proxy materials for future annual stockholder meetings (or special stockholder meeting for which the Company must include executive compensation information in the associated proxy statement). Under this Proposal Four, stockholders may vote to have the say-on-pay vote every year, every two years or every three years.

We believe that say-on-pay votes should continue to be conducted every year, as we have done since 2011, so that stockholders may annually express their views on our compensation program for Named Executive Officers. The Compensation Committee, which administers our executive compensation program, values the opinions expressed by our stockholders and will consider the outcome of this vote in making its decisions when setting the frequency of the advisory vote on executive compensation.

You may cast your vote on your preferred voting frequency by choosing the option of one year, two years, three years, or abstain from voting when you vote in response to the resolution set forth below:

“RESOLVED, that the option of once every one year, two years, or three years that receives the highest number of votes cast for this resolution will be determined to be the preferred frequency with which the Company is to hold a stockholder vote to approve the compensation of the Named Executive Officers, as disclosed 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.”

Vote Required and Board of Directors’ Recommendation

As an advisory vote, this proposal is not binding upon the Company. However, the Compensation Committee values the opinions expressed by stockholders in their vote on this proposal and will consider the outcome of the vote when making its decisions when setting the frequency of the advisory vote on executive compensation.

The option of one year, two years or three years that receives the highest number of votes cast by stockholders will be the frequency for the advisory vote on executive compensation approved by stockholders. Our Board of Directors unanimously recommends that stockholders vote to continue to hold say-on-pay votes EVERY YEAR (as opposed to every two years or every three years).

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COMPENSATION DISCUSSION AND ANALYSIS

Executive Summary

This Compensation Discussion and Analysis provides information about our executive compensation philosophy, the principles that govern our executive compensation program, the key elements of the 2016 executive compensation program for our Named Executive Officers, or NEOs, and how and why our independent Compensation Committee determined the compensation elements that comprised our 2016 executive compensation program. Our NEOs for 2016, which include our principal executive officer, our principal financial officer and our three other most highly compensated executive officers, were:

- Patrick C.S. Lo, Chairman and Chief Executive Officer;
- Christine M. Gorjanc, Chief Financial Officer;
- Michael F. Falcon, Senior Vice President of Worldwide Operations and Support;
- David J. Henry, Senior Vice President of Home Networking; and
- Andrew W. Kim, Senior Vice President of Corporate Development, General Counsel and Secretary.

Compensation Overview

Our independent Compensation Committee makes compensation decisions for our executive officers. The Compensation Committee recognizes our need to retain our NEOs and to motivate them to meet or exceed short-term goals and long-term objectives, while also creating sustainable long-term value for our stockholders. Accordingly, we designed an executive compensation program for 2016 that tied a substantial portion of the NEOs' compensation directly to achievement of rigorous performance objectives over a sustained period. We believe the compensation program for our NEOs is instrumental in driving our focus on this long-term growth and strong financial performance, particularly because our approach placed a significant percentage of their compensation at-risk and correspondingly rewarded them when they achieved objectives and delivered stockholder value.

The compensation of our NEOs consists of three main elements:

- base salary;
- annual incentive compensation, in the form of a cash bonus; and
- long-term incentive compensation, in the form of restricted stock units, or RSUs, and stock options.

Compensation is based on overall company performance as well as individual performance. We seek to position 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.

For 2016, our NEOs received payments under our annual cash incentive plan based on the Company's 2016 financial results, and we also granted both option awards and restricted stock unit awards to our NEOs. The charts below depict the total target direct compensation for our Chief Executive Officer and for our other NEOs as a group, based on their 2016 base salaries, target annual cash bonuses and grant date fair value of equity awards (not value actually received), as reported in the applicable Executive Compensation Tables following this Compensation Discussion and Analysis:

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2016 Financial and Operational Highlights

We are a global networking company that delivers innovative products to consumers, businesses and service providers. We remain committed to pursuing profitable growth opportunities in each of these segments, while simultaneously maintaining financial discipline and driving innovation through continual investment in research and development. We also have maintained a strong balance sheet and continue to closely manage our expenses, inventory and cash. In 2016, we achieved several notable financial and operational results:

- Net revenue grew to \$1.33 billion from \$1.30 billion, an increase of 2.1% compared to 2015;
- Combined retail and commercial business net revenues grew 19.9% year-over-year in 2016, more than making up for the expected and controlled net revenue decline of 35% in the service provider business, as we continued to shift focus to profitable opportunities;
- GAAP net income of \$75.9 million, compared to \$48.6 million for 2015;
- GAAP operating margin of 8.6% for 2016, compared to 6.6% for 2015;
- GAAP net income per diluted share of \$2.25, compared to \$1.44 in 2015;
- Cash, cash equivalents and short-term investments balance at the end of 2016 of \$366.0 million, an increase of \$87.7 million over the prior year-end;
- Several highly successful product introductions in multiple growth categories across our product portfolio;
- Significant share gain in key markets we serve by providing truly innovative solutions that set us apart from our competition; and
- Total Shareholder Return for the one-year and three-year periods ending December 31, 2016 was 29.7% and 18.2%, respectively.

General Compensation Philosophy

We compete in an aggressive and dynamic industry and, as a result, we believe that hiring, motivating and retaining quality employees, particularly senior managers, sales personnel and technical personnel, are critical 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. The Compensation Committee, as well as our Board of Directors, does not believe that our compensation policies encourage excessive risk taking by our executives or employees. 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 determining 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 reflect our operating performance over the long-term, and ultimately, the management of the Company by our executives. We annually hold a stockholder advisory vote to approve the compensation of our Named Executive Officers, commonly referred to as a say-on-pay vote. Our stockholders overwhelmingly approved the compensation of our NEOs at our 2016 Annual Meeting, where approximately 91% of stockholder votes cast were in favor of our say-on-pay resolution. As we evaluated our compensation practices and talent needs throughout 2016, we also were mindful of the strong support our stockholders expressed at our 2015 Annual Meeting, where approximately 93% of stockholder votes cast also were in favor of our say-on-pay resolution. As discussed above under “Proposal One - Stockholder Engagement,” we greatly value regular input from our stockholders, particularly with respect to our executive compensation practices. Consistent with this commitment to engagement, communication and transparency,

the Compensation Committee continues to regularly review our executive compensation program to ensure alignment between the interests of our executives and our stockholders. The Compensation Committee considered the results of these recent say-on-pay votes, investor input and current market practices. As a result, our Compensation

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Committee retained our philosophy of linking compensation to our operating objectives and the enhancement of stockholder value, and continued 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.

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 or near the median of our peer group (the "Peer Group"). The Peer Group was last reviewed and confirmed in the first half of 2015 by Compensation Strategies, Inc., the Compensation Committee's compensation consultant during that time, with input from our Chief Executive Officer and Compensation Committee Chairman. The Peer Group consisted of 18 U.S. publicly traded companies (including three that subsequently were acquired) from the computer peripheral and communications equipment industries of relatively similar annual revenue and market capitalization as compared to us:

ADTRAN, Inc.	Fortinet, Inc.
ARRIS International plc	Infinera Corp.
Aruba Networks, Inc.	Juniper Networks, Inc.
Brocade Communications Systems, Inc.	Logitech International S.A.
Ciena Corporation	NetApp, Inc.
Emulex Corp.	Plantronics, Inc.
Extreme Networks, Inc.	Polycom, Inc.
F5 Networks, Inc.	Quantum Corp.
Finisar Corp.	SanDisk Corp.

For companies within the Peer Group, the median annual revenues at the time of the last review were approximately \$1.25 billion, with an average of \$2.16 billion. The median market capitalization was \$2.38 billion, with an average of \$4.20 billion. Statistical analysis was 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. Statistical regression techniques were used to remove the significant swings that can occur with individual raw data points.

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. For 2016 executive compensation purposes, the Compensation Committee continued to rely on the applicable Peer Group compensation data collected in the previous year, although all amounts were increased slightly to account for general increases in the market over the prior year.

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 an independent third-party compensation consultant. 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 its independent compensation consultant in executive session without the CEO, or any other member of management, present. The Compensation

Committee then independently reviews and approves the compensation for Named Executive Officers and other executive officers.

Compensation Committee Consultant

The Compensation Committee engaged Compensation Strategies, Inc., an independent third-party compensation consulting firm, during 2016 to assist in confirming the Peer Group and in gathering general industry compensation data. The consultant reports directly to the Compensation Committee but was authorized by the Compensation Committee to work with certain

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executive officers and employees of the Company. In order to determine and confirm independence, the consultant completes an independence questionnaire provided by the Company. In addition, each director and executive officer of the Company completes an annual questionnaire which includes questions which ask about any actual or potential conflicts or relationship between such individual and the consultant. 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.

Setting the Pay Mix

Total Compensation

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 or near the median total cash compensation of the Peer Group for Named Executive Officers. Comparing the elements of total target compensation for 2016, base salary comprises approximately 24%, target annual incentive compensation approximately 18%, and long-term incentive compensation approximately 58% of the pay mix. However, we do not have a formal policy allocating between cash and non-cash compensation or between each element of compensation.

For 2016, our target total compensation (i.e., base salary, annual cash incentive and long-term incentives) for Named Executive Officers as a group was above the median for the Peer Group by approximately 7%. This percentage above the median resulted from long-term incentive compensation amounts for Named Executive Officers as a group that were roughly equal to the targeted median of the Peer Group and modestly higher variances in base salary and cash incentive plan amounts from the Peer Group median amounts in these categories. We continue to regularly evaluate our compensation practices and expect to continue to set target total compensation for Named Executive Officers to meet our goal of targeting the median Peer Group amounts in the future.

Base Salary

We generally target base salaries for Named Executive Officers at or near the median of the Peer Group to facilitate a competitive recruitment and retention strategy, 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 fixed compensation. Base salaries are generally reviewed and approved by the Compensation Committee during the second quarter of the year. Accordingly, the Compensation Committee reviewed and determined base salaries for Named Executive Officers to be effective as of July 1, 2016, except for Mr. Lo, whose salary increase was effective as of January 1, 2017 (consistent with our prior practice). The following lists the Named Executive Officer base salary increases approved in 2016:

NEO	Updated Base Salary	Percentage Increase	Effective Date
Patrick C.S. Lo	\$850,000	6.25%	January 1, 2017
Christine M. Gorjanc	\$530,000	6.00%	July 1, 2016
Michael F. Falcon	\$397,500	6.00%	July 1, 2016
David J. Henry	\$376,000	12.07%	July 1, 2016
Andrew W. Kim	\$387,000	6.03%	July 1, 2016

Each NEO received a base salary increase of approximately 6%, other than Mr. Henry, who received a larger increase due to his recent promotion to senior vice president and an effort to align the base salaries of our product group heads. As a group, the base salaries for Named Executive Officers exceeded the median for the Peer Group by approximately 16%, and we believe this result is generally consistent with our stated goal of targeting the median metrics for the Peer Group.

Annual Incentive Compensation (Cash Bonuses)

2016 Target Cash Bonus. 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, as this indicates profitable revenue growth and generally reflects achievement of some of our shorter term objectives for growth in sales, operating margins and earnings per share, and market share.

Non-GAAP operating income is equal to our GAAP operating income after excluding amortization of intangible assets, stock-based compensation expense, restructuring and other charges, acquisition-related expense, impact to cost of sales from acquisition accounting adjustments to inventory, litigation reserves, goodwill impairment charges and intangibles impairment charges.

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Under the 2016 executive bonus plan, our NEOs were eligible to receive an incentive bonus based upon the level of annual non-GAAP operating income achieved by the Company. The target bonus amounts for our CEO, CFO, product group heads and other executive officers were 115%, 75%, 60% and 50% of their respective fiscal year average base salaries. Bonus amounts for these executive officers would become eligible to be paid based upon the Company achieving a minimum threshold amount of approximately 65% of the non-GAAP operating income plan of \$150.0 million, or \$97.0 million, for 2016. If 2016 annual non-GAAP operating income exceeded this \$97.0 million threshold, then a bonus of 30% of an individual's target bonus would be earned, subject to other bonus plan conditions. If the Company exceeded a secondary target of approximately 85% of the non-GAAP operating income plan, or \$127.0 million, then 50% of amounts in excess of this target would be contributed to an additional bonus pool until the bonus pool reached a sufficient level to fund the target bonus amounts for participants in the plan. If there was additional non-GAAP operating income beyond the amount required to fully fund the target bonus amounts, then 50% of such excess amount also would be contributed to the bonus pool, subject to reaching a level sufficient to pay maximum bonus amounts. The maximum bonus amount payable under the bonus plan was 150% of an individual's target bonus amount, or 172.5%, 112.5%, 90% and 75% of the respective fiscal year average base salaries of our CEO, CFO, product group heads and other executive officers.

The table below shows the 2016 target bonus amount for each NEO as a percentage of base salary and as a corresponding cash amount:

NEO	Target Bonus as a Percentage of Salary	2016 Target Bonus as a Cash Amount
Patrick C.S. Lo	115%	\$920,000
Christine M. Gorjanc	75%	\$386,250
Michael F. Falcon	50%	\$193,125
David J. Henry	60%	\$213,450
Andrew W. Kim	50%	\$188,000

We believe that these non-GAAP operating income targets were set at appropriate levels based on market and industry expectations at that time and our 2016 annual operating plan reviewed and approved by our Board of Directors, and that each was achievable and not unrealistic. In addition, once the eligible bonus is determined based upon the level of annual non-GAAP 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 or other factors that the Compensation Committee deems relevant. As a group, the target annual incentive cash bonus amount for the applicable Named Executive Officers was above the median for the Peer Group by approximately 13%. Consistent with our approach, the Peer Group market data generally results in target annual incentive cash bonus amounts being separated into three tiers, namely one for the Chief Executive Officer, one for the Chief Financial Officer and one for the other Named Executive Officers.

2016 Cash Bonus Payments. The Company reported 2016 annual non-GAAP operating income of \$153.7 million. Based on this amount exceeding all required bonus plan thresholds, an executive bonus pool was preliminarily calculated in an amount that would have permitted the Compensation Committee to pay our NEOs bonuses equal to approximately 149% of their target bonuses, just short of the maximum allowed by the bonus plan. Based on input from the Board, as well as the Company's executive management team, the Compensation Committee exercised its discretion to limit all executive bonus payouts to approximately 115% of target. The Company's management, with input from the Compensation Committee, elected to reallocate a portion of the unused executive bonus pool funds to increase the non-executive employee bonus pool to allow payment of above-target bonuses to eligible non-executive employees relating to the second half of 2016. The Compensation Committee noted that this approach addressed management's concern with employee perception if the executive bonus percentages actually paid were significantly higher than those paid to employees, as well as management's desire to share more of the bonus pool among the broader employee base, in recognition of contributions made at all levels toward a very successful year.

In recognition of the Compensation Committee's decision to limit executives' bonus amounts, our Board and Compensation Committee believed it was important for both executive retention and recognition purposes to reward our executive officers' exemplary efforts during 2016 by making supplemental RSU grants to the executives, including the NEOs. As a non-cash expense that would provide additional longer-term retention value, these supplemental RSUs

also would contribute to one of the Company's significant executive compensation objectives. The details of these supplemental RSUs are described below under "Recent 2017 Supplemental Equity Awards."

As a result, pursuant to the terms of the 2016 executive bonus plan and our Compensation Committee's determination of final bonus amounts, our Named Executive Officers received bonus payments equal to approximately 115% of their target bonuses. The table below summarizes the target and total cash bonuses paid to our NEOs for 2016:

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NEO	Target 2016 Cash Incentive Compensation	Total 2016 Cash Incentive Compensation Paid
Patrick C.S. Lo	\$920,000	\$1,058,000
Christine M. Gorjanc	\$386,250	\$444,046
Michael F. Falcon	\$193,125	\$222,023
David J. Henry	\$213,450	\$245,315
Andrew W. Kim	\$188,000	\$216,131

Long-Term Incentive Compensation

2016 Equity Awards. We have provided long-term incentives through our 2003 Stock Plan, our Amended and Restated 2006 Long-Term Incentive Plan (“2006 Plan”) and our 2016 Equity Incentive Plan (“2016 Plan”). Equity grants have been granted in the past under these plans 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. Our equity awards generally vest over four years to retain executives and to reward long-term performance. We believe that equity grants are a particularly 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 primarily relies on input from two sources to determine the amount of equity awards to be granted: research from the Compensation Committee consultant and input from our Chief Executive Officer. The Compensation Committee also reviews the then-current status of equity awards available for grant under our equity 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, Inc. prepares a comprehensive analysis of the equity award practices of our Peer Group. Objectively, we generally target our compensation to be at or near 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 NEOs, 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.

Equity awards for our Named Executive Officers may be granted pursuant to written consent of the Compensation Committee but are typically granted during in-person meetings, 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.

As part of the Company's 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 received a combination of option and restricted stock unit awards. The Company's long-term incentive compensation for Named Executive Officers as a group was above the targeted median of the Peer Group by approximately 1%.

The numbers of shares subject to the annual stock options granted to our NEOs in 2016 were as follows:

NEO	Shares Subject to Option (#)	Grant Date Fair Value (\$)
Patrick C.S. Lo	115,000	\$1,412,522
Christine M. Gorjanc	35,000	\$429,898
Michael F. Falcon	25,000	\$307,070
David J. Henry	25,000	\$307,070

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Andrew W. Kim 25,000 \$307,070

The above stock options vest over four years from grant, with 25% of the total award vesting on the first anniversary of the vesting commencement date and the remainder vesting in equal monthly amounts over the following three years.

The numbers of annual RSUs granted to our NEOs in 2016 were as follows:

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NEO	RSUs (#)	Grant Date	Fair Value (\$)
Patrick C.S. Lo	30,000		\$1,185,900
Christine M. Gorjanc	15,000		\$592,950
Michael F. Falcon	10,000		\$395,300
David J. Henry	15,000		\$582,150
Andrew W. Kim	10,000		\$395,300

The above RSUs vest over four years from grant, with 25% of the total award vesting on each anniversary of the vesting commencement date.

Recent 2017 Supplemental Equity Awards. As noted above, in January 2017, the Compensation Committee granted supplemental RSUs to our executive officers, in recognition of their contributions to the Company's exceptionally strong performance in 2016, as well as the Compensation Committee's decision to limit executive cash bonus payments to 115% of target. The size of these RSU awards was calculated formulaically for each executive by dividing (i) the dollar amount of the difference between the preliminarily calculated bonus amount of 149% of target and the 115% of target actually paid to such executive, by (ii) the closing price of the Company's common stock on the date of grant. The numbers of supplemental RSUs granted to our NEOs in January 2017 were as follows:

NEO	RSUs (#)	Grant Date	Fair Value (\$)
Patrick C.S. Lo	5,486		\$312,702
Christine M. Gorjanc	2,302		\$131,214
Michael F. Falcon	1,151		\$65,607
David J. Henry	1,272		\$72,504
Andrew W. Kim			