

NETGEAR INC
Form DEF 14A
April 21, 2006

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:

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

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1) Amount Previously Paid:

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NETGEAR, INC.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Tuesday, May 23, 2006

10:00 a.m. local time

To Our Stockholders:

The 2006 Annual Meeting of Stockholders of NETGEAR, Inc. will be held on Wednesday, May 23, 2006 at 10:00 a.m. local time at our executive offices at 4500 Great America Parkway, Santa Clara, California 95054 for the following purposes:

1. To elect six (6) directors to serve until the next Annual Meeting of Stockholders;
2. To approve the adoption of the new NETGEAR, Inc. 2006 Long Term Incentive Plan;
3. To ratify the appointment of PricewaterhouseCoopers LLP as our independent auditors for the fiscal year ending December 31, 2006; and
4. 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 Tuesday, April 11, 2006 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 4500 Great America Parkway, Santa Clara, California 95054. 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.

Whether or not you plan to attend the annual meeting, please complete, date, sign and return the enclosed proxy card as promptly as possible in the accompanying reply envelope. Any stockholder attending the meeting may vote in person even if he or she has returned a proxy.

For the Board of Directors of
NETGEAR, INC.

Jonathan R. Mather
Executive Vice President and Chief Financial Officer

Santa Clara, California
April 21, 2006

YOUR VOTE IS IMPORTANT

PLEASE SUBMIT YOUR PROXY AS PROMPTLY AS POSSIBLE IN THE ENCLOSED ENVELOPE.

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NETGEAR, INC.

**PROXY STATEMENT FOR THE
2006 ANNUAL MEETING OF STOCKHOLDERS**

GENERAL INFORMATION

The Board of Directors of NETGEAR, Inc., a Delaware corporation, is soliciting the enclosed proxy from you. The proxy will be used at our 2006 Annual Meeting of Stockholders to be held at 10:00 a.m. local time on Tuesday, May 23, 2006 at our executive offices located at 4500 Great America Parkway, Santa Clara, California 95054.

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, as well as the enclosed proxy card and our Annual Report on Form 10-K for the year ended December 31, 2005.

We are sending the proxy materials on or about April 21, 2006 to all of our stockholders as of the record date, April 11, 2006. Stockholders who owned NETGEAR common stock at the close of business on April 11, 2006 are entitled to attend and vote at the annual meeting. On the record date, we had approximately 33,090,465 shares of our common stock issued and outstanding. We had 21 record stockholders as of the record date and our common stock was held by approximately 8,200 beneficial owners.

Voting Procedures

As a stockholder, you have the right to vote on certain business matters affecting us. The three 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 and Proposal Three. Each share of NETGEAR common stock you own entitles you to one vote. The enclosed proxy card indicates the number of shares you own. You can vote by returning the enclosed proxy card and proxy in the envelope provided, or by attending the annual meeting and voting in person at the annual meeting.

Methods of Voting

Voting by Mail. By signing and returning the proxy card according to the enclosed instructions, you are enabling our Chairman and Chief Executive Officer, Patrick C.S. Lo, and our Executive Vice President and Chief Financial Officer, Jonathan R. Mather, who are named on the proxy card 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 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 card. If you submit the proxy 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 approval of the adoption of the new NETGEAR, Inc. 2006 Long Term Incentive Plan; and

FOR the ratification of the appointment of PricewaterhouseCoopers LLP as our independent auditors for the fiscal year ending December 31, 2006.

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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 proxy statement and the annual report on Form 10-K for the year ended December 31, 2005 to certain stockholders who share an address unless otherwise requested. 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 write or call us to request a separate copy of these materials at no cost to you. For future annual meetings, you may request separate voting materials, or request that we send only one set of voting materials to you if you are receiving multiple copies, by writing our Corporate Secretary at NETGEAR, Inc., 4500 Great America Parkway, Santa Clara, California 95054, or calling our Corporate Secretary at (408) 907-8000. **You may receive a copy of the exhibits to NETGEAR's Annual Report on Form 10-K for the year ended December 31, 2005 by sending a written request to NETGEAR, Inc., 4500 Great America Parkway, Santa Clara, California 95054, Attn: Corporate Secretary.**

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.

Revoking Your Proxy

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

sign and return another proxy bearing a later date;

provide written notice of the revocation to Albert Y. Liu, our Corporate Secretary at NETGEAR, Inc., 4500 Great America Parkway, Santa Clara, California 95054, 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 or if you submit a properly executed proxy card.

Votes Required for Each Proposal

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

Proposal One Election of Directors. The six 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 striking a line through the name(s) of such nominees on your proxy card.

Proposal Two Approval of the adoption of the new NETGEAR, Inc. 2006 Long Term Incentive Plan. Approval of the adoption of the new NETGEAR, Inc. 2006 Long Term Incentive Plan will require the affirmative vote of a majority of the shares present at the annual meeting, in person or by proxy. You may vote for, against, or abstain from voting on this proposal.

Proposal Three Ratification of PricewaterhouseCoopers LLP as Independent Auditors. Ratification of PricewaterhouseCoopers LLP as our independent auditors will require the affirmative vote of a majority of the shares present at the annual meeting, in person or by proxy. You may vote for,

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against, or abstain from voting on the proposal to ratify PricewaterhouseCoopers LLP as our independent auditors.

Abstentions and Broker Non-Votes

If you return a proxy 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 the proposal to approve the adoption of the new NETGEAR, Inc. 2006 Long Term Incentive Plan or the proposal to ratify the appointment of PricewaterhouseCoopers LLP as our independent accountants, your abstention will have the same effect as a vote against that proposal.

Under the rules that govern brokers who have record ownership of shares that are held in street name for their clients, who are the beneficial owners of the shares, brokers have discretion to vote these shares on routine matters but not on non-routine matters. Thus, if you do not otherwise instruct your broker, the broker may turn in a proxy card voting your shares FOR routine matters but expressly instructing that the broker is NOT voting on non-routine matters. A broker non-vote occurs when a broker expressly instructs on a proxy card that it is not voting on a matter, whether routine or non-routine. 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. Your broker will have discretionary authority to vote your shares on Proposals One (Election of Directors) and Three (Ratification of Appointment of Independent Auditors), which are routine matters. Absent your instructions, your broker will not be able to vote your shares on Proposal Two (Approval of the Adoption of the New NETGEAR, Inc. 2006 Long Term Incentive Plan).

Proxy Solicitation Costs

We will bear the entire cost of proxy solicitation, including the preparation, assembly, printing and mailing of proxy materials. We expect our Vice President, Legal and Corporate Development and Company Secretary, Albert Y. Liu, to tabulate the proxies and act as inspector of the election.

Deadline for Receipt of Stockholder Proposals for 2007 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 2007 Annual Meeting of Stockholders must be received by us no later than December 22, 2006 (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 2007 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 attached proxy card grants the proxy holders discretionary authority to vote on any matter raised at the annual meeting. The discretionary vote deadline for our 2007 annual meeting is March 8, 2007, 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 2007 annual meeting.

In addition, our 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 annual meeting specified in the proxy statement provided to stockholders in connection with the preceding year's annual meeting, which is January 23, 2007 in connection with our 2007 Annual Meeting of Stockholders. In the event that no annual meeting was held in the previous year or the date of the annual meeting is changed by more than 30 days from the date contemplated at the time of the previous year's proxy

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statement, notice by the stockholder must be received not later than the tenth business day following the day notice of the date of the meeting was mailed or public disclosure was made, whichever occurs first. A stockholder's notice shall include: (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and address of the stockholder proposing such business, (iii) the class and number of shares of our stock which are beneficially owned by the stockholder, (iv) any material interest of the stockholder in such business and (v) any other information required by the Securities Exchange Act of 1934, as amended (the "1934 Act"). In addition, if a stockholder wishes to nominate a candidate for director, the stockholder's notice shall also include the following information for the candidate: (i) name, age, business address and residence address, (ii) principal occupation or employment of such nominee, (iii) class and number of shares of our stock beneficially owned by such nominee, (iv) description of all arrangements between the stockholder and the nominee and (v) any other information required by the 1934 Act (including the candidate's written consent to being named in the proxy statement as a nominee and to serving as a director if elected). A copy of the full text of our bylaws is available from our Corporate Secretary upon written request. Proposals should be sent to our Corporate Secretary, c/o NETGEAR, Inc., 4500 Great America Parkway, Santa Clara, California 95054.

Nomination of Director Candidates

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 by submitting: 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. See "Election of Directors - Policy for Director Recommendations and Nominations" for additional information.

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 bylaws and the rules and regulations of the Securities and Exchange Commission related to stockholder proposals. The process for properly submitting a stockholder proposal, including a proposal to nominate a person for election to our Board of Directors at an annual meeting, is described above in the section entitled "Deadline for Receipt of Stockholder Proposals for 2007 Annual Meeting."

Stockholder Communications to Directors

Stockholders may communicate directly with our Board of Directors by writing to them c/o NETGEAR, Inc., 4500 Great America Parkway, Santa Clara, California 95054. 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 directed directly to the Audit Committee, 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 stockholder communications log.

Other Matters

Other than the proposals listed above, our Board of Directors does not intend to present any other matters to be voted on at the meeting. Our Board of Directors is not currently aware of any other matters that will be presented by others for action at the meeting. However, if other matters are properly brought before the

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stockholders at the meeting and you have signed and returned your proxy card, the proxy holders will have discretion to vote your shares on these matters to the extent authorized under the 1934 Act.

**PROPOSAL ONE
ELECTION OF DIRECTORS**

Nominees

The nominees for election at the Annual Meeting of Stockholders are Patrick C.S. Lo, Ralph E. Faison, A. Timothy Godwin, Jef Graham, Linwood A. Lacy, Jr., and Gregory J. Rossmann. If elected, they will each serve as a director until the Annual Meeting of Stockholders in 2007, and until their respective successors are elected and qualified or until their earlier resignation or removal. Gerald A. Poch, who has served as a director since 2000, will not be standing for re-election at this meeting.

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

Vote Required

If a quorum is present and voting, the six nominees receiving the highest number of votes will be elected to our Board of Directors. Abstentions are not counted in the election of directors. If you hold your shares through a broker, bank or other nominee and you do not instruct them how to vote on this proposal, your broker may have the authority to vote your shares. Stockholders are not entitled to cumulative voting in the election of directors.

Information Concerning the Nominees and Incumbent Directors

The name and age of the nominees and incumbent directors as of February 28, 2006, the principal occupation of each and the period during which each has served as our director are set forth below. Information as to the stock ownership of each of our directors and all of our current executive officers as a group is set forth below under Security Ownership of Certain Beneficial Owners and Management.

Name	Age	Office	Director Since
Patrick C.S. Lo	49	Chairman and Chief Executive Officer/Nominee	2000
Ralph E. Faison	47	Director/Nominee	2003
A. Timothy Godwin	56	Director/Nominee	2003
Jef Graham	50	Director/Nominee	2005
Linwood A. Lacy, Jr.	60	Director/Nominee	2002
Gerald A. Poch	58	Director	2000
Gregory J. Rossmann	44	Director/Nominee	2002

Patrick C.S. Lo has served as Chairman of our board of directors since March 2002 and our Chief Executive Officer since March 2000. From September 1999 to March 2002, he served as our President, and since our inception in 1996 to September 1999, he served as Vice President and General Manager. Mr. Lo joined Bay Networks, a networking company, in August 1995 to launch a division targeting the small business and home markets and established the NETGEAR division in January 1996. From 1983 until 1995, Mr. Lo worked at Hewlett-Packard Company, a computer and test equipment company, where he served in various

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management positions in software sales, technical support, network product management, sales support and marketing in the United States and Asia, most recently as the Asia/ Pacific marketing director for Unix servers. Mr. Lo received a B.S. degree in Electrical Engineering from Brown University.

Ralph E. Faison has served as one of our directors since August 2003. From February 2003 to the present, Mr. Faison has served as Chief Executive Officer of Andrew Corporation, a public company and a manufacturer of communications equipment and systems, and from June 2002 to the present, Mr. Faison has 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 a M.S. degree in management as a Sloan Fellow from Stanford University.

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

Jef Graham has served as one of our directors since July 2005. From January 2006 to the present, Mr. Graham has served as the Chairman and CEO of RGB Networks, Inc., a provider of video and bandwidth management products. From July 2005 through 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 CEO 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 CEO of Trident Systems, a document management systems integrator. Mr. Graham has also worked for Hewlett-Packard Company for 15 years, including 10 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, United Kingdom.

Linwood A. Lacy, Jr. has served as one of our directors since September 2002. From July 1998 to July 2001, Mr. Lacy served as Chairman of 4Sure.com, a direct marketer of computer and technology products. From October 1996 to October 1997, Mr. Lacy served as President and Chief Executive Officer of Micro Warehouse Incorporated, a micro computer direct-marketing company. From 1985 to May 1996, he served as the Co-Chairman and Chief Executive Officer of Ingram Micro, Inc., a microcomputer products distributor and a then wholly-owned subsidiary of Ingram Industries Inc. From April 1996 to May 1996, Mr. Lacy served as Vice Chairman of Ingram Industries Inc.; from June 1995 to April 1996, he served as its President and Chief Executive Officer; and from December 1993 to June 1995, he served as its President. Mr. Lacy is a director of EarthLink, Inc., a public Internet technology company, as well as a director of several private companies, including Ingram Industries Inc. Mr. Lacy received both a B.S. degree in Chemical Engineering and an M.B.A from the University of Virginia.

Gerald A. Poch has served as one of our directors since March 2000. Mr. Poch is not standing for re-election as a director. From January 2000 to the present, Mr. Poch has served as a Senior Managing Director

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of Pequot Capital Management, Inc. and co-head of Pequot Ventures. Since August 1998, Mr. Poch has been one of the leaders of the venture capital team responsible for the growth and strategic direction of the group. From August 1996 to June 1998, he was the Chairman, President and Chief Executive Officer of G.E. Capital Information Technology Solutions, Inc., a technology solutions provider. Prior to that, he served as co-founder, co-chairman and co-president of AmeriData Technologies, Inc. (the predecessor company of G.E. Capital Information Technology Solutions, Inc.), a value-added reseller and systems integrator of hardware and software systems. Mr. Poch is a director of Analex Corporation, an information technology company, Andrew Corporation, a manufacturer of communications equipment and systems, and MTM Technologies, Inc., a network analysis and diagnostics management company, which are public companies, as well as a director of several private companies. Mr. Poch received a B.S. degree from the University of Connecticut and a J.D. degree cum laude from Boston University Law School.

Gregory J. Rossmann has served as one of our directors since February 2002. From April 2000 to the present, Mr. Rossmann has served as a Managing Director of Pequot Capital Management, Inc. 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.

There are no family relationships between any director or executive officer. Our Board of Directors has determined that Messrs. Faison, Godwin, Graham, Lacy, Jr., Poch and Rossmann are independent under Rule 4200(a)(15) of the National Association of Securities Dealers listing standards. We strongly encourage the attendance of members of our Board of Directors at the annual meeting. At the 2005 Annual Meeting of Stockholders, all but one of our directors who was a director at that time was in attendance.

Vote Required and Board of Directors Recommendation

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

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Our Board of Directors held a total of 10 meetings during 2005. Our Board of Directors has standing Audit, Compensation and Nominating and Corporate Governance Committees. Each member of the committees meets the independence standards of Rule 4200(a)(15) of the Nasdaq National Market and applicable independence rules of the SEC. All of our directors attended at least 75% of the meetings of our Board of Directors and any applicable committee on which they served held while they were members of our Board of Directors or the applicable committee.

Committee	Date of Inception	Members at the End of 2005	Committee Functions	Meetings Held in 2005
Audit	2000	A. Timothy Godwin Linwood A. Lacy, Jr. Gerald A. Poch*	Reviews internal accounting Procedures Appoints independent auditors Reviews results of independent audit Determines investment policy and oversees its implementation	10
Compensation	2000	Ralph E. Faison Jef Graham Gerald A. Poch* Gregory J. Rossmann	Administers our stock option plans Recommends compensation of executive officers and directors Reviews and recommends general policies relating to compensation and benefits	4
Nominating and Corporate Governance	2004	Gerald A. Poch* A. Timothy Godwin Jef Graham Linwood A. Lacy, Jr.	Recommends nomination of board members Assists with succession planning for executive management positions Oversee and evaluate board performance Evaluate composition, organization and governance of board and its committees	No formal meetings of committee separate from meetings of entire board

* Mr. Poch is not standing for re-election to our Board of Directors, and therefore will no longer be a member of the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee from and after the Annual Meeting.

Audit Committee

Our Board of Directors first adopted a written charter for the Audit Committee in August 2000. A copy of our current amended and restated Audit Committee charter is available on the investor relations section of our website at www.netgear.com. Our Board of Directors has determined that each of Messrs. Godwin, Lacy, Jr., and Poch is an

audit committee financial expert, as defined in the rules of the Securities and Exchange Commission. Our Board of Directors has determined that Messrs. Godwin, Lacy, Jr., and Poch are independent, as that term is used in Item 7(d)(3)(iv) of Schedule 14A under the 1934 Act. Mr. Godwin serves as chairman of our Audit Committee.

Compensation Committee

Our Board of Directors first adopted a written charter for the Compensation Committee in August 2000. A copy of our current amended and restated Compensation Committee charter is available on the investor

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relations section of our website at www.netgear.com. Our Compensation Committee currently consists of Messrs. Faison, Graham, Poch and Rossmann, each of whom is a non-management member of our Board of Directors. Mr. Faison serves as chairman of our Compensation Committee.

Nominating and Corporate Governance Committee

Our Board of Directors formed a Nominating and Corporate Governance Committee and adopted its written charter in April 2004. A copy of our current Nominating and Corporate Governance Committee charter is available on the investor relations section of our website at www.netgear.com. Our Nominating and Corporate Governance Committee currently consists of Messrs. Godwin, Graham, Lacy, Jr., and Poch. None of the current members of the Nominating and Corporate Governance Committee is an employee of NETGEAR and each is independent under the listing requirements of the Nasdaq National Market. Mr. Poch serves as chairman of the 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 by submitting: 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 bylaws and the rules and regulations of the Securities and Exchange Commission related to stockholder proposals. The process for properly submitting a stockholder proposal, including a proposal to nominate a person for election to our Board of Directors at an annual meeting, is described above in the section entitled "General Information - Deadline for Receipt of Stockholder Proposals for 2007 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 a number of factors, including the following:

- the current size and composition of the board of directors and the needs of the board of directors and the respective committees of the board; and

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

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 approves the nominees for election to our Board of Directors.

Corporate Governance Policies and Practices

We maintain a corporate governance page on our company 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, the NETGEAR Code of Ethics, and information regarding our whistleblower policy.

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Our key governance policies and practices include:

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

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

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

Directors stand for re-election every year.

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

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 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 2005 Annual Meeting of Stockholders, all but one of our directors who was a director at that time was in attendance.

Director Compensation

Our non-employee directors receive \$1,000 per meeting and are entitled to reimbursement of business, travel and other related expenses incurred in connection with their attendance at meetings of our Board of Directors and committee meetings. The chairman of our Audit Committee receives an additional \$1,000 per committee meeting or sub-meeting with management attended, and the chairman of the Compensation Committee and of the Nominating and Corporate Governance Committee each receives an additional \$500 per meeting attended. The chairman of our Audit Committee is also paid an annual retainer of \$10,000, and each chairman of our other committees is also paid an annual retainer of \$4,000. In addition, our directors, including non-employee directors, are eligible to receive stock options under our 2003 Stock Option Plan. New non-employee directors who join our Board of Directors are entitled to receive automatic, non-discretionary initial options to acquire 25,000 shares of our common stock, subject to three-year vesting. Directors who have served at least six months with us receive an annual option of 15,000 shares at each annual meeting, which is subject to one-year vesting under our 2003 Stock Plan. Pursuant to the automatic, non-discretionary grant provisions described above, Jef Graham was granted an initial option to purchase 25,000 shares of our common stock on July 1, 2005 and each of our other outside directors, Messrs. Faison, Godwin, Lacy, Jr., Poch and Rossmann, was granted an annual option to purchase 15,000 shares of our common stock on May 18, 2005. The new NETGEAR, Inc. 2006 Long Term Incentive Plan, detailed in Proposal Two, does not provide for automatic, non-discretionary equity award grants to our Board of Directors.

Stock Ownership Guidelines

Our Board of Directors adopted stock ownership guidelines for our directors and executive officers, effective as of January 1, 2005. The guidelines require our directors to own a minimum of 5,000 shares of NETGEAR common stock, and our executive officers to own NETGEAR common stock with a value equal

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to a multiple of the officer's salary level. Under the guidelines, our Chief Executive Officer is expected to eventually own five times his annual base salary. Other executive officers are expected to achieve ownership levels equal to one to three times salary. Directors and officers have a five year period in which to achieve the required compliance level.

Assuming our stockholders approve the adoption of the new NETGEAR, Inc. 2006 Long Term Incentive Plan detailed in Proposal Two, our Board of Directors plan to revise our stock ownership guidelines to provide that an officer or director who is not in compliance with the ownership requirements would be strongly encouraged to restrict his or her NETGEAR stock sales until he or she becomes compliant with the guidelines.

Compensation Committee Interlocks and Insider Participation

During 2005, our Compensation Committee consisted of Messrs. Faison, Graham, Poch and Rossmann, each of whom is a non-management member of our Board of Directors. Our Compensation Committee is responsible for recommending to our Board of Directors salaries, incentives and other forms of compensation for officers and other employees. No interlocking relationship exists between any member of our Compensation Committee and any other member of our Board of Directors or Compensation Committee.

**PROPOSAL TWO
APPROVAL OF THE ADOPTION OF THE NEW NETGEAR, INC.
2006 LONG TERM INCENTIVE PLAN**

The Board of Directors has approved and is recommending to stockholders the adoption of the new NETGEAR, Inc. 2006 Long Term Incentive Plan, or the 2006 Plan, to provide certain employees, consultants and Board members the opportunity to receive stock-based and other long-term incentives in order to attract and retain qualified individuals and to align their interests with those of our stockholders. A full copy of the 2006 Plan is attached to this proxy statement as Appendix A. The 2006 Plan is intended to be the successor to our 2003 Stock Option Plan. As of December 31, 2005, the 2003 Stock Option Plan had approximately 109,617 shares remaining that were available for issuance.

Administration of the 2006 Plan

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

Any material amendment to the 2006 Plan will be subject to stockholder approval. Material amendments would include any material increase in the number of shares to be issued under the plan other than to reflect a merger, reorganization, stock split or similar corporate event, any material increase in benefits to participants, any material expansion of the class of participants eligible to participate in the 2006 Plan and any expansion in the types of options or awards provided under the 2006 Plan.

Shares Available Under the 2006 Plan

A maximum of 2,500,000 shares of our common stock has been reserved for issuance under the 2006 Plan.

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In the event of a merger, reorganization, consolidation, recapitalization, stock dividend, stock split, reverse stock split, spin-off, combination repurchase or exchange of shares, or similar corporate event, the number of shares that can be issued under the 2006 Plan, the number of shares subject to outstanding awards, and any exercise price may be adjusted by the Committee in any manner it deems equitable to prevent dilution or enlargement of the benefits or potential benefits intended under the 2006 Plan. Any shares of common stock subject to an award that is forfeited, settled in cash, expires or is otherwise settled without the issuance of shares shall again be available for awards under the 2006 Plan.

Eligibility Under the 2006 Plan

Employees of NETGEAR and its affiliates, consultants who may be retained by the company, and non-employee members of the Board are eligible to participate in the 2006 Plan. The Committee will select the eligible participants who will participate in the 2006 Plan.

Awards Under the 2006 Plan

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

Stock Options. The Committee will determine the number of options to be granted and the terms applicable to each award, subject to the restrictions set forth in the 2006 Plan. The term of any option may not exceed ten (10) years from the date of grant. The exercise price generally cannot be less than the fair market value of NETGEAR's common stock on the date the option is granted. The 2006 Plan generally prohibits the Committee from reducing the exercise price of any option after it is granted.

Stock Appreciation Rights. The Committee will determine the number of stock appreciation rights to be granted and the terms applicable to each award, subject to the restrictions set forth in the 2006 Plan. The term of any stock appreciation right may not exceed ten (10) years from the date of grant. The exercise price generally cannot be less than the fair market value of NETGEAR's common stock on the date the stock appreciation right is granted. The 2006 Plan generally prohibits the Committee from reducing the exercise price of any stock appreciation right after it is granted.

Restricted Stock Awards. The Committee will determine the number of shares or units that will be granted and the terms applicable to each award, provided that the period over which any restricted stock award may fully vest will be no less than three (3) years.

Performance Awards. Performance awards can take the form of performance shares or performance units. A performance share means an award denominated in shares of NETGEAR common stock and a performance unit means an award denominated in units having a dollar value or other currency, as determined by the Committee. The Committee will determine the number of performance awards that will be granted and will establish the performance goals and other conditions for payment of such performance awards. The period of measuring the achievement of performance goals will be a minimum of twelve (12) months. The performance goals established by the Committee for any participant will be based on one or more of the following criteria: cash flow; cash flow from operations; total earnings; earnings per share, diluted or basic; earnings per share from continuing operations, diluted or basic; earnings before interest and taxes; earnings before interest, taxes, depreciation and amortization; earnings from operations; net asset turnover; inventory turnover; capital expenditures; net earnings; operating earnings; gross or operating margin; profit margin; debt; working capital; return on equity; return on net assets; return on total assets; return on capital; return on investment; return on sales; net or gross sales; market share; economic value added; cost of capital; change in assets; expense reduction levels; debt reduction; productivity; new product introductions; delivery performance; safety record; stock price; and total stockholder return.

The performance goals may be determined on an absolute basis or relative to internal goals or to other companies or indices. The Committee shall adjust the performance goals to the extent necessary to prevent dilution or enlargement of any award due to extraordinary events or circumstances or to exclude the effects of

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extraordinary, unusual or non-recurring items; changes in applicable laws, regulations or accounting principles; currency fluctuations; discontinued operations; non-cash items, such as amortization, depreciation or reserves; asset impairment; or any recapitalization, restructuring, reorganization, merger, acquisition, divestiture, consolidation, spin-off, split-up, combination, liquidation, dissolution, sale of assets or other similar corporate transaction.

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

Awards to Covered Employees

The 2006 Plan contains additional restrictions and limitations on awards that are intended to satisfy the requirements of performance-based compensation under Internal Revenue Code Section 162(m) to participants classified as covered employees. No participant may receive an award or awards having an aggregate value of greater than \$3,000,000 for any full fiscal year of NETGEAR, subject to adjustment as described in the 2006 Plan for overlapping performance periods.

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

Termination of Employment

As discussed above, awards granted under the 2006 Plan generally expire on the date determined by the Committee at the time of the award, subject to earlier expiration as specified in the award agreement, in the event the participant terminates employment with the company prior to that date. Generally, unless determined otherwise by the Committee and subject to certain change-in-control provisions, all unvested options, stock appreciation rights and stock awards, and all unpaid performance shares and performance units are forfeited upon termination of service for reasons other than retirement, disability or death.

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

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

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

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Change-in-Control

In the event of a change-in-control of NETGEAR, all awards under the 2006 Plan vest and all outstanding performance shares and performance units shall be paid out upon transfer. Options that vest upon a change-in-control may be exercised only during the 90 days immediately thereafter. Stock appreciation rights that become vested upon a change-in-control shall be exercisable as determined by the Committee.

Tax Consequences

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

Nonqualified Stock Options. A participant who receives a nonqualified stock option will recognize no income at the time of the grant of the option. Upon exercise of a nonqualified stock option, a participant will recognize ordinary income in an amount equal to the excess of the fair market value of the shares of stock on the date of exercise over the exercise price. The basis in shares acquired upon exercise of a nonqualified stock option will equal the fair market value of such shares at the time of exercise, and the holding period of the shares for capital gain purposes will begin on the date of exercise. In general, NETGEAR will be entitled to a tax deduction in t