

NETGEAR INC  
Form DEF 14A  
April 14, 2005

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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.**

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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1) Amount Previously Paid:

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**NETGEAR, INC.**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**Wednesday, May 18, 2005**

**10:00 a.m. local time**

To Our Stockholders:

The 2005 Annual Meeting of Stockholders of NETGEAR, Inc. will be held on Wednesday, May 18, 2005 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 ratify the appointment of PricewaterhouseCoopers LLP as our independent auditors for the fiscal year ending December 31, 2005; and
3. 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 Wednesday, April 6, 2005 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 19, 2005

**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  
2005 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 2005 Annual Meeting of Stockholders to be held at 10:00 a.m. local time on Wednesday, May 18, 2005 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, 2004.

We are sending the proxy materials on or about April 19, 2005 to all of our stockholders as of the record date, April 6, 2005. Stockholders who owned NETGEAR common stock at the close of business on April 6, 2005 are entitled to attend and vote at the annual meeting. On the record date, we had approximately 31,735,285 shares of our common stock issued and outstanding. We had 22 record stockholders as of the record date and our common stock was held by approximately 6,175 beneficial owners.

**Voting Procedures**

As a stockholder, you have the right to vote on certain business matters affecting us. The two 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 and Proposal Two. 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; and

FOR the ratification of the appointment of PricewaterhouseCoopers LLP as our independent auditors for the fiscal year ending December 31, 2005.

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

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report on Form 10-K for the year ended December 31, 2004 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, 2004 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 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, 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 ratify the appointment of

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PricewaterhouseCoopers LLP as our independent accountants, your abstention will have the same effect as a vote against the 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 both proposals, which are routine matters.

**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 General Counsel and Secretary, Albert Y. Liu, to tabulate the proxies and act as inspector of the election.

**Deadline for Receipt of Stockholder Proposals for 2006 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 2006 Annual Meeting of Stockholders must be received by us no later than December 20, 2005 (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 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 2006 annual meeting is March 5, 2006, 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 2006 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 18, 2006 in connection with our 2006 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 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



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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 2006 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 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.

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**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, Linwood A. Lacy, Jr., Gerald A. Poch and Gregory J. Rossmann. If elected, they will each serve as a director until the Annual Meeting of Stockholders in 2006, and until their respective successors are elected and qualified or until their earlier resignation or removal. Stephen D. Royer, 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.

**Table of Contents****Information Concerning the Nominees and Incumbent Directors**

The name and age of the nominees and incumbent directors as of March 1, 2005, 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.

<b>Name</b>	<b>Age</b>	<b>Office</b>	<b>Director Since</b>
Patrick C.S. Lo		Chairman and Chief Executive	
	49	Officer/Nominee	2000
Ralph E. Faison	46	Director/Nominee	2003
A. Timothy Godwin	55	Director/Nominee	2003
Linwood A. Lacy, Jr.	59	Director/Nominee	2002
Gerald A. Poch	57	Director/Nominee	2000
Gregory J. Rossmann	43	Director/Nominee	2002
Stephen D. Royer	40	Director	2000

**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 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.

**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

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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. From January 2000 to the present, Mr. Poch has served as a Senior Managing Director 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, BriteSmile, Inc., a dental technology company, 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.

**Stephen D. Royer** has served as one of our directors since September 2000. Mr. Royer is not standing for re-election as a director. From 1991 to the present, Mr. Royer has been with Shamrock Capital Advisors, Inc., a merchant banking company, where he has served as a Managing Director for more than five years. Mr. Royer is a director of several private companies. Mr. Royer received a B.A. degree in Quantitative Economics from Stanford University and an M.B.A. degree from the University of California in Los Angeles.

There are no family relationships between any director or executive officer. Our Board of Directors has determined that Messrs. Faison, Godwin, Lacy, Poch, Rossmann and Royer 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. Six of our directors attended our Annual Meeting of Stockholders in 2004.

**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.**

**Board and Committee Meetings**

Our Board of Directors held a total of seven meetings during 2004. 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. All of

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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, except for Mr. Lacy, who attended 71% of the total number of meetings of our Board of Directors and committees on which he served held during 2004.

<b>Committee</b>	<b>Date of Inception</b>	<b>Members at the End of 2004</b>	<b>Committee Functions</b>	<b>Meetings Held in 2004</b>
Audit	2000	A. Timothy Godwin Linwood A. Lacy, Jr. Stephen D. Royer *	Reviews internal accounting Procedures Appoints independent auditors Reviews results of independent audit Determines investment policy and oversees its implementation	7
Compensation	2000	Ralph E. Faison 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	6
Nominating and Corporate Governance	2004	Linwood A. Lacy, Jr. A. Timothy Godwin Gerald A. Poch	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. Royer is not standing for re-election to our Board of Directors, and therefore will no longer be a member of the Audit 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](http://www.netgear.com), and a copy of the charter was also filed with our proxy statement for the 2004 Annual Meeting of Stockholders. Our Board of Directors has determined that Messrs. A. Timothy Godwin, Linwood A. Lacy, Jr. and Stephen D. Royer is each 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 and Royer 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 Compensation Committee charter is available on the investor relations section of our website at [www.netgear.com](http://www.netgear.com). Our Compensation Committee currently consists of Messrs. Faison, Poch and Rossmann, each of whom is a non-management member of our Board of Directors. Mr. Poch served as chairman of our Compensation Committee until December 2004, at which time Mr. Faison began serving as chairman.

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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 Nominating and Corporate Governance Committee charter is available on the investor relations section of our website at [www.netgear.com](http://www.netgear.com). Our Nominating and Corporate Governance Committee currently consists of Messrs. Lacy, Godwin 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. Lacy served as chairman of the Nominating and Corporate Governance Committee until December 2004, at which time Mr. Poch began serving as chairman.

**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 "Deadline for Receipt of Stockholder Proposals for 2006 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.

**Code of Ethics**

Our Board of Directors has adopted a Code of Ethics that is applicable to our senior executive and financial officers. This Code is intended to deter wrongdoing and promote ethical conduct among our directors and executive officers. A copy of our current Code of Ethics is available on the investor relations section of our website at [www.netgear.com](http://www.netgear.com). We will post any amendments to, or waivers from, our Code of Ethics at that location on our website.



**Table of Contents****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. In January 2005, our Board of Directors approved an annual retainer of \$10,000 for the chairman of our Audit Committee, starting with the 2004 calendar year, and an annual retainer of \$4,000 for the chairman of our other committees, starting with the 2005 calendar year. 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 starting at our 2004 meeting, which will be subject to one-year vesting, under our 2003 Stock Plan.

**Compensation Committee Interlocks and Insider Participation**

During 2004, our Compensation Committee consisted of Messrs. Faison, Poch and Rossmann, each of whom is a non-management member of our Board of Directors. Our Compensation Committee is responsible for determining 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****RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS**

In accordance with its charter, the Audit Committee has selected PricewaterhouseCoopers LLP, independent auditors, to audit our financial statements for the fiscal year ending December 31, 2005 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, 2004. 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, 2004 and December 31, 2003:

<b>Fee Category</b>	<b>2004 Fees</b>	<b>2003 Fees</b>
Audit Fees	\$ 1,208,660	\$ 239,000
Audit-Related Fees		847,000
Tax Compliance Fees	147,199	106,620
Tax Consulting Fees	158,097	189,120
All Other Fees		
 Total Fees	 \$ 1,513,956	 \$ 1,381,740

*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.

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*Audit-Related Fees.* Consists of fees billed for review of our filing of Registration Statement on Form S-1 and consultations in connection with Sarbanes-Oxley compliance, financial accounting and reporting standards.

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

*Tax Consulting Fees.* Consists of fees billed for professional services for tax advice and tax planning.

*All Other Fees.* There were no such services provided in the periods reported above.

Before selecting and prior to determining to continue its engagement for 2005 with PricewaterhouseCoopers LLP, the Audit Committee carefully considered PricewaterhouseCoopers LLP's qualifications as independent auditors. 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 Compliance Fees, Tax Consulting 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 services by PricewaterhouseCoopers LLP other than for audit related services is compatible with maintaining the independence of PricewaterhouseCoopers LLP as our independent auditors.

**Vote Required and Board of Directors Recommendation**

Stockholder ratification of the selection of PricewaterhouseCoopers LLP as our independent auditors is not required by our 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 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 of the holders of a majority of the shares of our common stock present or represented and voting at the annual meeting will be required to approve this proposal. **Our Board of Directors has unanimously approved this proposal and recommends that stockholders vote FOR the ratification of the selection of PricewaterhouseCoopers LLP as independent auditors.**

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth certain information with respect to the beneficial ownership of our common stock as of March 1, 2005 by:

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

each of our directors

each of our current named executive officers; and

all of our directors and executive officers as a group.

Beneficial ownership is determined in accordance with the rules and regulations of the Securities and Exchange Commission. The column entitled "Number of Shares Beneficially Owned" excludes the number of shares of common stock subject to options held by that person that are currently exercisable or that will

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become exercisable within 60 days after March 1, 2005. The number of shares subject to options that each beneficial owner has the right to acquire within 60 days of March 1, 2005 is listed separately under the column entitled Number of Shares Underlying Options Beneficially Owned. These shares are not deemed outstanding for purposes of computing the percentage ownership of any other person.

Percentage of beneficial ownership is based upon 31,681,541 shares of our common stock outstanding as of March 1, 2005 and the shares of common stock subject to options held by the beneficial owner that are currently exercisable with 60 days of March 1, 2005. The address for those individuals for which an address is not otherwise provided is c/o NETGEAR, Inc., 4500 Great America Parkway, Santa Clara, California 95054. Unless otherwise indicated, we believe the stockholders listed have sole voting or investment power with respect to all shares, subject to applicable community property laws.

Name and Address	Number of Shares Beneficially Owned	Number of Underlying Options Beneficially Owned	Percentage of Total Shares Beneficially Owned
<b>5% Stockholders:</b>			
J. & W. Seligman & Co. Incorporated			
William C. Morris(1)	2,416,900		7.6%
Wellington Management Company, LLP(2)	2,205,200		7.0%
Zweig-DiMenna(3)	1,646,000		5.2%
<b>Executive Officers and Directors:</b>			
Patrick C.S. Lo(4)	212,619	925,783	3.5%
Jonathan R. Mather	1,502	163,034	*
Mark G. Merrill		367,707	1.2%
Michael F. Falcon	255	10,895	*
Charles T. Olson	2,518	33,571	*
Ralph E. Faison	2,000	8,333	*
A. Timothy Godwin(5)	10,415	11,667	*
Linwood A. Lacy, Jr.	95,000	39,556	*
Gerald A. Poch(6)	100,000		*
Gregory J. Rossmann(7)	100,000		*
Stephen D. Royer			
All current directors and executive officers as a group (15 persons)	444,444	1,686,335	6.4%

\* Less than 1%

- (1) Includes (i) 2,000,000 shares held of record by Seligman Communications & Information Fund, Inc., and (ii) 416,900 shares held of record by J. & W. Seligman & Co. Incorporated. J. & W. Seligman & Co. Incorporated, as investment adviser for Seligman Communications and Information Fund, Inc., may be deemed to beneficially own the shares held by the fund. William C. Morris is the owner of a majority of the outstanding voting securities of J. & W. Segliman & Co. Incorporated, and may be deemed to beneficially own the shares

reported by that entity. The address of the reporting persons is 100 Park Avenue, New York, NY 10017.

- (2) Shares are held of record by clients of Wellington Management Company, L.P., which may be deemed to beneficially own such shares in its capacity as investment advisor. The address of Wellington Management Company, L.P. is 75 State Street, Boston, MA 02109.
- (3) Includes (i) 156,600 shares held of record by Zweig-DiMenna Special Opportunities, L.P., (ii) 418,300 shares held of record by Zweig-DiMenna Partners, L.P., (iii) 805,900 shares held of record by Zweig-DiMenna International Limited, (iv) 60,900 shares held of record by Zweig-DiMenna International Managers, Inc., on behalf of a discretionary account, (v) 69,300 shares held of record by Zweig-DiMenna International Managers, Inc., on behalf of a discretionary account, (vi) 82,100 shares held of record by Zweig-DiMenna Select L.P., (vii) 14,100 shares held of record by Zweig-DiMenna Investors L.P., and (viii) 38,800 shares held of record by Zweig-DiMenna Market Neutral, L.P. The address of all of the above entities other than Zweig-DiMenna International Limited is 900 Third

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Avenue, New York, NY 10022. The address of Zweig-DiMenna International Limited is c/o International Fund Services (Ireland) Limited, Bishops Square, Redmons Hill, Third Floor, Dublin 2, Ireland.

- (4) Shares beneficially owned by Mr. Lo include (1) 86,488 shares held of record by The Patrick C. S. Lo Grantor Retained Annuity Trust, (2) 111,525 shares held of record by The Patrick and Emily Lo Revocable Living Trust Dated 4-7-99, (3) 6,404 shares held of record by The Daphne T. W. Lo 2002 Irrevocable Education Trust, (3) 6,404 shares held of record by The Kai W. Lo 2002 Irrevocable Education Trust, and (4) 1,798 shares held of record by Mr. Lo.
- (5) Shares are held of record by the Maureen A. Godwin Family Trust.
- (6) Shares are held of record by Pequot Private Equity Fund II, L.P. (the Fund). Mr. Poch is a managing director of Pequot Capital Management, Inc. (PCM), which holds voting and dispositive power for all shares held of record by the Fund. Mr. Poch disclaims beneficial ownership of the shares held in the Fund, except to the extent of his pecuniary interest therein.
- (7) Shares are held of record by Pequot Private Equity Fund II, L.P. (the Fund). Mr. Rossmann is a managing director of Pequot Capital Management, Inc. (PCM), which holds voting and dispositive power for all shares held of record by the Fund. Mr. Rossmann disclaims beneficial ownership of the shares held in the Fund, except to the extent of his pecuniary interest therein.

**EXECUTIVE COMPENSATION****Summary Compensation Table**

The following Summary Compensation Table sets forth certain information regarding the compensation of our chief executive officer and our four next most highly compensated executive officers for 2004 for services rendered in all capacities for the years indicated. No restricted stock or stock appreciation rights were granted to any of the persons listed below for the years indicated.

Name and Principal Position	Compensation				Long-Term Compensation Awards:	
	Fiscal Year	Annual Compensation			Securities Underlying Options (#)	All Other Compensation (\$)(2)
		Salary (\$)	Bonus (\$)(1)	Other Annual Compensation (\$)		
Patrick C. S. Lo Chairman and Chief Executive Officer	2004	356,731	250,000	0	0	1,500
Jonathan R. Mather(3) Executive Vice President and Chief Financial Officer	2003	350,000	100,000	0	0	1,500
	2004	254,808	65,000	0	0	45,332
	2003	250,000	43,750	0	0	39,069
Michael F. Falcon Vice President of Operations	2004	213,808	65,000	0	20,000	1,500
	2003	190,000	14,250	0	0	1,500
Charles T. Olson(4) Vice President of Engineering	2004	212,372	45,000	0	10,000	27,488
	2003	186,346	13,976	0	122,500	27,552

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Mark G. Merrill	2004	206,904	32,000	0	0	1,500
Chief Technology Officer	2003	203,000	15,225	0	0	1,500

- (1) Represents cash bonuses earned for the indicated fiscal years.
- (2) All other compensation consists of discretionary matching contributions to our 401(k) plan on behalf of each named executive officer, unless otherwise stated. Excludes prerequisites and personal benefits, securities or property to the extent such benefits do not exceed the lesser of either \$50,000 or 10% of the total annual salary and bonus for the named executive officer.

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- (3) Mr. Mather received other compensation consisting of a \$1,500 matching contribution to our 401(k) plan on his behalf and a tax protected housing allowance of \$43,832 in 2004, and a \$1,500 matching contribution to our 401(k) plan on his behalf and a tax protected housing allowance of \$37,569 in 2003.
- (4) Mr. Olson received other compensation consisting of a \$1,500 matching contribution to our 401(k) plan on his behalf and a housing allowance of \$25,988 in 2004, and a \$1,500 matching contribution to our 401(k) plan on his behalf and a housing allowance of \$26,052 in 2003.

**Option Grants in Last Fiscal Year**

The following table provides certain information relating to stock options granted to each of our executive officers named in the summary compensation table above during the fiscal year ended December 31, 2004. All of these options were granted under our 2003 Stock Plan and have a term of 10 years, subject to earlier termination in the event that the optionee's services to us cease.

The exercise prices of the options we grant are generally equal to the fair market value of our common stock, as determined by our board of directors, on the date of grant. The exercise price may be paid by cash or check. In the event of an acquisition of NETGEAR by merger or asset purchase, if the acquiring corporation fails to assume or substitute the outstanding options under our 2003 Stock Plan, then all of the option shares will become immediately vested and exercisable for a period of 15 days after notice is given, after which the options will terminate.

The potential realizable value is calculated by assuming that the fair market value of our common stock increases from the date of grant of the option at assumed rates of stock appreciation of 5% and 10%, compounded annually over the 10 year term of the option, and subtracting from that result the total option exercise price. These assumed appreciation rates comply with the rules of the Securities and Exchange Commission and do not represent our prediction of the performance of our stock price.

Name	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term	
	Number of Securities Underlying Options Granted	% of Total Options Granted to Employees in Fiscal Year(1)	Exercise Price (\$/Share)	Expiration Date	5% (\$)	10% (\$)
Patrick C. S. Lo						
Jonathan R. Mather						
Michael F. Falcon	20,000	3.3%	16.53	2/9/2014	117,411	636,010
Charles T. Olson	10,000	1.6%	16.53	2/9/2014	58,706	318,005
Mark G. Merrill						

(1) Based on a total of 614,602 options granted to all employees in the fiscal year ended December 31, 2004.

**Aggregate Option Exercises in Last Year and Year-End Option Values**

The following table provides certain information relating to option exercises by the executive officers named in the summary compensation table during the fiscal year ended December 31, 2004, and the number and value of vested and unvested options held by those executive officers as of December 31, 2004.

The Value Realized and the Value of Unexercised In-the-Money Options at December 31, 2004 are based upon the closing price of our common stock on the date of exercise or at December 31, 2004, as



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applicable, minus the per share exercise price, multiplied by the number of shares underlying the option. The closing price of our common stock on December 31, 2004 was \$18.16 per share.

Name	Shares Acquired on Exercise of Options	Value Realized for Exercised Options	Shares Underlying Unexercised Options at December 31, 2004		Value of Unexercised In-The-Money Options at December 31, 2004	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Patrick C. S. Lo			996,761		\$ 13,605,788	\$
Jonathan R. Mather	200,000	3,202,564	130,031	66,011	\$ 2,193,623	\$ 1,113,606
Michael F. Falcon	19,000	219,646	35,687	70,313	\$ 433,954	\$ 644,406
Charles T. Olson	22,950	204,404	35,747	73,803	\$ 342,814	\$ 628,171
Mark G. Merrill	203,400	2,101,611	367,707		\$ 4,986,419	\$

**Equity Compensation Plan Information**

The following table provides information as of December 31, 2004 about our common stock that may be issued upon the exercise of options and rights granted to employees, consultants or members of our Board of Directors under all existing equity compensation plans, including the 2000 Stock Option Plan (which was terminated as to new grants in May 2003), the 2003 Stock Plan and the 2003 Employee Stock Purchase Plan.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for
			Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
	(a)	(b)	(c)
Equity compensation plans approved by securityholders	4,147,089(1)	\$ 7.00	1,475,371(2)
Equity compensation plans not approved by securityholders	43,750(3)	3.31	
Total	4,190,839	\$ 6.96	1,475,371

- (1) Includes 3,390,862 shares outstanding under the 2000 Stock Option Plan, 756,227 shares outstanding under the 2003 Stock Option Plan, and no outstanding shares under the 2003 Employee Stock Purchase Plan.
- (2) Includes 1,014,588 shares available for issuance under the Company's 2003 Stock Option Plan and 460,783 shares under the Company's 2003 Employee Stock Purchase Plan.
- (3) In April 2002, we issued a stand-alone nonstatutory stock option to Michael Ressner, one of our former directors associated with Nortel Networks Corporation, to purchase 43,750 shares of our common stock at an exercise price of \$3.31 per share. The option is fully vested and expires on April 22, 2006, or earlier in connection with our change in control if not assumed or substituted by the successor company. Mr. Ressner resigned from our Board of Directors in February 2002 in connection with our repurchase of all of the shares of Series A preferred stock then held by Nortel Networks Corporation. We issued the stock option to Mr. Ressner pursuant to a settlement agreement and release in connection with such termination of services.

**Employment Agreements and Change in Control Arrangements**

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

On December 3, 1999, we entered into an employment agreement with Patrick C.S. Lo, our Chairman and Chief Executive Officer. The agreement provides that if within one year following a change of control of

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NETGEAR, Mr. Lo is terminated without cause or resigns for good reason, he is entitled to full acceleration of any unvested portion of his stock options, and severance payments at his final base salary rate for a period of one year after his termination or resignation. If Mr. Lo is terminated without cause, he is entitled to receive severance payments at his final base salary rate for a period of one year and will continue to have his stock options vest for one year after such termination.

On December 9, 1999, we entered into an employment agreement with Mark G. Merrill, our Chief Technology Officer. The agreement provides that if within one year following a change of control of NETGEAR, Mr. Merrill is terminated without cause or resigns for good reason, he is entitled to receive two years acceleration of any unvested portion of his stock options. If Mr. Merrill is terminated without cause, he is entitled to receive severance payments at his final base salary rate for 26 weeks and will continue to have his stock options vest for one year after such termination.

On August 10, 2001, we entered into an employment agreement with Jonathan R. Mather, our Executive Vice President and Chief Financial Officer. The agreement provides that if within one year following a change of control of NETGEAR, Mr. Mather is terminated without cause or resigns for good reason, he is entitled to receive two years acceleration of any unvested portion of his stock options. If Mr. Mather is terminated without cause, he is entitled to receive severance payments at his final base salary rate for a period of 39 weeks and will continue to have his stock options vest for one year after such termination.

On November 4, 2002, we entered into an employment agreement with Michael F. Falcon, our Vice President of Operations. On January 6, 2003, we entered into an employment agreement with Charles T. Olson, our Vice President of Engineering. On November 3, 2003, we entered into an employment agreement with Michael A. Werdann, our Vice President of America Sales. Each of these agreements provide that if within one year following a change of control of NETGEAR, the officer is terminated without cause or resigns for good reason, he is entitled to receive two years acceleration of any unvested portion of his stock options. If the officer is terminated without cause, he is entitled to receive severance payments at his final base salary rate for a period of 26 weeks and will continue to have his stock options vest for one year after such termination.

On October 18, 2004, we entered into an employment agreement with Albert Y. Liu, our General Counsel and Corporate Secretary. The agreement provides that if within one year following a change of control of NETGEAR, Mr. Liu is terminated without cause or resigns for good reason, he is entitled to receive two years acceleration of any unvested portion of his stock options. If Mr. Liu is terminated without cause, he is entitled to receive severance payments at his final base salary rate for a period of 13 weeks and will continue to have his stock options vest for three months after such termination.

**REPORT OF THE COMPENSATION 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 Compensation Committee of our Board of Directors shall not be deemed filed with the Commission or soliciting material under the 1934 Act, and shall not be incorporated by reference into any such filings.*

During 2004, executive compensation matters were approved by the Compensation Committee, which currently consists of Ralph E. Faison, Gerald A. Poch and Gregory J. Rossmann. The following is the report of the Compensation Committee of our Board of Directors with respect to compensation during 2004. The Compensation Committee operates under a written charter adopted by our Board of Directors in August 2000 and most recently amended in January 2005.

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### **General Compensation Philosophy**

The primary objectives of the executive compensation policies of our Board of Directors include the following:

To attract, motivate, and retain a highly qualified executive management team;

To link executive compensation to our financial performance as well as to define individual management objectives established by the compensation committee;

To compensate competitively with the practices of similarly situated technology companies; and

To create management incentives designed to enhance stockholder value.

NETGEAR competes in an aggressive and dynamic industry and, as a result, our Board of Directors believes that finding, motivating and retaining quality employees, particularly senior managers, sales personnel and technical personnel, are important factors to NETGEAR's future success. The philosophy of the Compensation Committee seeks to align the interests of stockholders and management by tying compensation to NETGEAR's financial performance, either directly in the form of salary and bonuses paid in cash or indirectly in the form of stock options granted to NETGEAR's principal executive officers.

### **Cash Compensation**

NETGEAR seeks to provide cash compensation to our executive officers, including base salary and bonus, at levels that are commensurate with cash compensation of executives with comparable responsibility at similarly situated technology companies. Annual increases in base salary are determined on an individual basis based on market data and a review of the officer's performance and contribution to various individual, departmental and corporate objectives. Cash bonuses, if any, are intended to provide additional incentives to achieve such objectives.

The salaries and cash bonuses of each of NETGEAR's executive officers, other than the chief executive officer, were determined by the Compensation Committee and ratified by our Board of Directors. The chief executive officer's base salary was determined by the Compensation Committee and ratified by our Board of Directors with the abstention by the chief executive officer. During 2004, the compensation of Patrick C.S. Lo, NETGEAR's chief executive officer, consisted of a base salary of \$356,731 and a cash bonus of \$250,000, for total cash compensation equal to \$606,731 for 2004. The Compensation Committee reviewed the chief executive officer's salary at the beginning of 2004 using the same criteria and policies as are employed for the other executive officers.

At the beginning of 2005, based on a review of public company proxy data and other relevant market data, our Board of Directors determined that it was appropriate to increase the cash compensation paid to NETGEAR's executive officers, including the chief executive officer, in order to be generally consistent with amounts paid to officers with similar responsibilities at similarly situated technology companies. As a result, effective for fiscal year 2005, our Board of Directors increased the base salary of Mr. Lo to \$420,000. We note that competition for qualified management and technical personnel in NETGEAR's industry is intense, and we expect such competition to remain intense for the foreseeable future. As a result, in order to insure access to qualified personnel, our Board of Directors believes that it will continue to be necessary to provide compensation packages that are at least competitive with, and in certain instances superior to, compensation paid by other similarly situated networking companies.

### **Equity-Based Compensation**

NETGEAR provides long term incentives through its 2003 stock option plan. Stock options are periodically granted under the 2003 stock option plan to provide additional incentive to executives and other employees to maximize long-term total return to our stockholders. We believe that stock options are a particularly strong incentive, because they are valuable to employees only if the fair market value of our common stock increases above the exercise price, which is set at the fair market value of NETGEAR's common stock on the date the option is granted. In addition, employees must remain employed with

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NETGEAR for a fixed period of time in order for the options to vest fully. Options generally vest over a four-year period to encourage option holders to remain employed by NETGEAR.

With respect to the size of the options granted to NETGEAR's executive officers, the Compensation Committee considers the executive's position, the executive's individual performance, the number of options held (if any), the extent to which those options are vested and any other factors that our Board of Directors may deem relevant.

**Tax Deductibility of Executive Compensation**

Section 162(m) of the Internal Revenue Code limits the federal income tax deductibility of compensation paid to our chief executive officer and to each of the other four most highly-compensated executive officers. NETGEAR may deduct such compensation only to the extent that during any fiscal year the compensation paid to such individual does not exceed \$1 million or meet certain specified conditions (including stockholder approval). NETGEAR has adopted a policy that, where reasonably practicable, NETGEAR will seek to qualify variable compensation paid to its executive officers for an exemption from the deductibility limitations of 162(m).

Respectfully submitted by:

THE COMPENSATION COMMITTEE

RALPH E. FAISON  
GERALD A. POCH  
GREGORY J. ROSSMANN

**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 Commission or soliciting material under the 1934 Act, and shall not be incorporated by reference into any such filings.*

The Audit Committee, which currently consists of A. Timothy Godwin, Linwood A. Lacy, Jr. and Stephen D. Royer, evaluates audit performance, manages relations with our independent auditors and evaluates policies and procedures relating to internal accounting functions and controls. Mr. Royer is not standing for re-election to our Board of Directors, and therefore will no longer be a member of the Audit Committee from and after the Annual Meeting. Our Board of Directors first adopted a written charter for the audit committee in September 2000 and most recently amended it in February 2004, 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 or auditors, and their functions are not intended to duplicate or to certify the activities of management and the independent auditors. 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. 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, 2004. This review included a discussion of the quality and the acceptability of NETGEAR's financial reporting and controls, including the clarity of disclosures in the financial statements.

The Audit Committee also reviewed with NETGEAR's independent auditors, who are responsible for expressing an opinion on the conformity of NETGEAR's audited financial statements with generally accepted accounting principles, their judgments as to the quality and the acceptability of NETGEAR's financial reporting and such other matters required to be discussed with the Audit Committee under generally accepted

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auditing standards in the United States including Statement on Auditing Standards No. 61. The Audit Committee has received the written disclosures and the letter from the independent auditors required by Independence Standards Board Statement No. 1. The Audit Committee discussed with the independent auditors such auditors independence from management and NETGEAR, including the matters in such auditors written disclosures required by Independence Standards Board Statement No. 1.

The Audit Committee further discussed with NETGEAR s independent auditors the overall scope and plans for their audits. The Audit Committee meets periodically with the independent auditors, with and without management present, to discuss the results of the independent auditors examinations and evaluations of NETGEAR s internal controls, and 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, 2004, as filed with the Securities and Exchange Commission on March 16, 2005.

Respectfully submitted by:

THE AUDIT COMMITTEE

A. TIMOTHY GODWIN  
LINWOOD A. LACY, JR.  
STEPHEN D. ROYER

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

Section 16(a) of the 1934 Act requires our officers and directors, and persons who own more than 10% of a registered class of our equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission and the National Association of Securities Dealers, Inc. Executive officers, directors and greater than 10% stockholders are required by Securities and Exchange Commission regulations to furnish us with copies of all Section 16(a) forms they file. Based solely on our review of the copies of such forms that we have received, or written representations from reporting persons, we believe that during 2004, all Section 16(a) filing requirements applicable to our officers, directors and greater than 10% stockholders were met with the following exceptions: Michael F. Falcon, Charles T. Olson, David Soares and Michael Werdann each filed one Form 4 reporting one transaction late.

**RELATED PARTY TRANSACTIONS**

In March 2004, we filed a registration statement with the Securities and Exchange Commission for an underwritten offering with respect to up to 6,000,000 shares of our common stock on behalf of certain selling stockholders. A purpose of the offering is to provide for an orderly distribution of shares, primarily on behalf of certain long-standing financial investors, and to provide a larger public float of our shares. Selling stockholders in the offering included Pequot Capital Management, Inc. and Shamrock Capital Growth Fund, L.P. Gerald A. Poch is a managing director of Pequot Capital Management, Inc. and co-head of Pequot Ventures, and Gregory J. Rossmann is a general partner of Pequot Private Equity Fund II, L.P. Stephen D. Royer serves as managing director of Shamrock Capital Advisors, Inc., which is a related party of Shamrock Capital Growth Fund, L.P.

In April 2004, we entered into a severance agreement and release with Richard Fabiano, our former Vice President of Finance. Pursuant to the terms of his separation agreement, he is entitled to receive 26 weeks of severance pay and benefits and will continue to have his options vest through one year following his separation from us. Mr. Fabiano has agreed to a two-year non-solicitation period regarding our employees.

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In July 2004, we entered into a severance agreement and release with Raymond P. Robidoux, our former President. Pursuant to the terms of his separation agreement, he is entitled to receive 39 weeks of severance pay and benefits and will continue to have his options vest through one year following his separation from us. Mr. Robidoux has agreed to a one-year non-solicitation period regarding our employees.

In October 2004, we entered into a severance agreement and release with Christopher C. Marshall, our former Vice President of Finance. Pursuant to the terms of his separation agreement, he is entitled to receive 26 weeks of severance pay and benefits and will continue to have his options vest through six months following his separation from us. Mr. Marshall has agreed to a one-year non-solicitation period regarding our employees.

We have also entered into certain compensation arrangements which are described under Executive Compensation Employment Agreements and Change in Control Agreements.

**Table of Contents****COMPANY PERFORMANCE**

*Notwithstanding any statement to the contrary in any of our previous or future filings with the Securities and Exchange Commission, the following information relating to the price performance of our common stock shall not be deemed filed with the Commission or soliciting material under the 1934 Act and shall not be incorporated by reference into any such filings.*

The following graph shows a comparison from July 31, 2003 (the date our common stock commenced trading on the Nasdaq National Market) through December 31, 2004 of cumulative total return for our common stock, the Nasdaq Market Index and the Nasdaq Computer Index. Such returns are based on historical results and are not intended to suggest future performance. Data for the Nasdaq Market Index and the Nasdaq Computer Index assume reinvestment of dividends. We have never paid dividends on our common stock and have no present plans to do so.

	<b>July 31, 2003</b>	<b>December 31, 2003</b>	<b>December 31, 2004</b>
NETGEAR, Inc.	\$ 100.00	\$ 90.39	\$ 102.66
NASDAQ Computer Index	\$ 100.00	\$ 116.78	\$ 120.58
NASDAQ Market Index	\$ 100.00	\$ 115.47	\$ 125.38



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**OTHER MATTERS**

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

It is important that your shares be represented at the annual meeting, regardless of the number of shares, which you hold. You are, therefore, urged to mark, sign, date and return the accompanying proxy card as promptly as possible in the postage-prepaid envelope enclosed for that purpose.

THE BOARD OF DIRECTORS OF  
NETGEAR, INC.:

PATRICK C.S. LO  
RALPH E. FAISON  
A. TIMOTHY GODWIN  
LINWOOD A. LACY, JR.  
GERALD A. POCH  
GREGORY J. ROSSMANN  
STEPHEN D. ROYER

Dated: April 19, 2005

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**PROXY**

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS  
NETGEAR, INC.**

**Proxy for Annual Meeting of Stockholders**

The undersigned stockholder of NETGEAR, Inc., a Delaware corporation, hereby acknowledges receipt of the 2004 Annual Report to Stockholders and the Notice of Annual Meeting of Stockholders and Proxy Statement for the Annual Meeting of Stockholders of NETGEAR, Inc. to be held on May 18, 2005, at 10:00 a.m., local time, at the company's principal executive offices located at 4500 Great America Parkway, Santa Clara, California 95054, and hereby appoints Patrick C.S. Lo and Jonathan R. Mather, and each of them, proxies and attorneys-in-fact, with full power to each of substitution, on behalf and in the name of the undersigned, to represent the undersigned at such meeting, and at any adjournment or adjournments thereof, and to vote all the shares of Common Stock that the undersigned would be entitled to vote if then and there personally present on the matters set forth below:

**(Continued, and to be marked, dated and signed, on the other side)**

**Address Change/Comments (Mark the corresponding box on the reverse side)**

**p Detach here from proxy voting card. p**

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**IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR ALL NOMINEES FOR DIRECTOR AND FOR PROPOSAL 2 AND IN THE DISCRETION OF THE PROXIES AND ATTORNEYS-IN-FACT, UPON SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING, AND ANY ADJOURNMENT OR ADJOURNMENTS THEREOF.**

Mark Here for Address  
Change  
or Comments                   o  
**PLEASE SEE  
REVERSE SIDE**

**1. ELECTION OF DIRECTORS**

- FOR** all nominees listed below (except as marked below).
- WITHHOLD AUTHORITY** to vote for all nominees listed below.

**To withhold authority to vote for any nominee, strike a line through the name of such nominee.**

01 Patrick C.S. Lo; 02 Ralph E. Faison; 03 A. Timothy Godwin; 04 Linwood A. Lacy, Jr.; 05 Gerald A. Poch; 06 Gregory Rossmann

**2. PROPOSAL TO RATIFY THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP**

<b>FOR</b>	<b>AGAINST</b>	<b>ABSTAIN</b>
o	o	o

Either of such proxies and attorneys-in-fact, or their substitutes, as shall be present and shall act at said meeting or any adjournment or adjournments thereof shall have and may exercise all the powers of said proxies and attorneys-in-fact hereunder.

This proxy when properly executed will be voted in the manner directed herein by the undersigned stockholder(s).

**Signature**

**Signature**

**Date**

(This proxy should be marked, dated, signed by the stockholder(s) exactly as the name(s) appear on the stock certificate(s) and returned promptly in the enclosed envelope. Persons signing in a fiduciary capacity should so indicate.)

p **Detach here from proxy voting card.** p