NETSCOUT™

2015 ANNUAL REPORT TO STOCKHOLDERS

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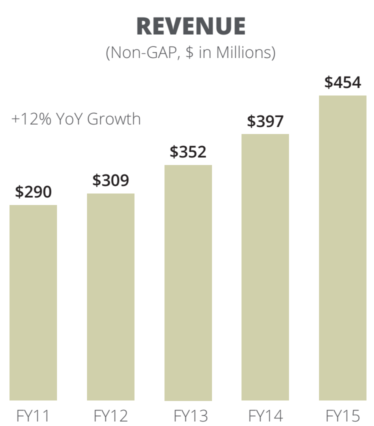
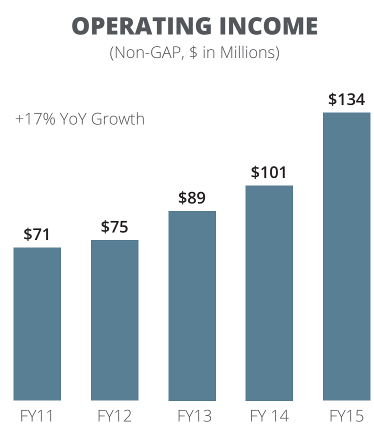
FOR A CONNECTED WORLD

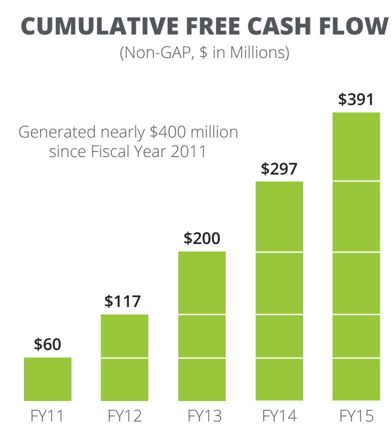
NETSCOUT SYSTEMS, INC. (NASDAQ: NTCT)

In today's fast-paced and connected world, NetScout Systems provides proven, scalable solutions with the intelligence and analytics required to ensure the efficiency, reliability, speed and integrity of the world's largest and most complex networks. Leading service providers and enterprises around the globe rely on NetScout to capture and transform terabytes of live network data traffic into high-value, timely and actionable information that enables them to optimize network performance, manage the delivery of services and applications over their infrastructure, and provide a quality experience for their customers and employees. NetScout's extensive capabilities play a critical role in helping customers gain greater insight into the end user experience, drive ROI on their network and broader IT initiatives, and reduce the many tangible risks associated with downtime, poor service quality and compromised security.

NetScout has produced strong results in recent years with consistent top-line expansion, notable operating profitability and earnings per share growth, and strong free cash flow.







FOR A CONNECTED WORLD

In the office, at home, on the road and virtually anywhere else, connectivity is critical to the way we work, play and communicate with one another. NetScout innately understands this dynamic and has taken important steps to help its customers meet the rigorous, ever-evolving demands of an increasingly connected world. Most recently, on July 14, 2015, NetScout completed its acquisition of the Communications Business from Danaher Corporation for $2.3 billion. The transaction accelerates the Company's strategic plans, enabling it to enter complementary, growth-oriented adjacent markets with a broader range of market-leading products and technologies, enhance its go-to-market capabilities and gain the scale required to support a larger, more diverse and more global customer base. As a result, NetScout believes that the combined Company will be even better positioned to help its customers thrive in the connected world.

2015 LETTER TO STOCKHOLDERS

TO OUR STOCKHOLDERS:

NetScout generated another year of strong revenue and profit growth in fiscal year 2015 while also taking critical steps to accelerate our strategic progress. NetScout's performance reflected our sound investments that were made in prior years to bring our nGeniusONE platform to the marketplace, to advance key technology initiatives, to expand our relationships with our customers in the service provider, enterprise and government sectors, and to add key new talent to our organization. With strong revenue growth in fiscal year 2015, the scalability of our operating model enabled us to surpass our long-term target for non-GAAP operating profit margin one year ahead of schedule.

This past year also marked NetScout's 30th anniversary. We have accomplished a lot during the past three decades to establish our Company as both a market leader and technology innovator. While we are justifiably proud of our many achievements, we are not resting on our laurels. On July 14, 2015, we completed our acquisition of Danaher Corporation's Communications Business and with it, we are entering a new era for growth and value creation. The acquired business is a compelling fit for our Company strategically, operationally and financially and will expand our resources and technology, as well as provide access to more customers in our core markets and well as new market segments, such as cyber security.

EXCELLENT FINANCIAL PERFORMANCE

NetScout reported fiscal year 2015 total revenue of $454 million, up 14% from the prior fiscal year. Our solid top-line performance reflected strong traction with our service provider customers, combined with increased demand by our government customers and modest expansion across our enterprise vertical. From a profitability perspective, NetScout delivered outstanding results. Even as we invested in customer-driven innovation and a high-touch sales organization, we elevated our non-GAAP operating margins to 29.5%, exceeding our target of 27% in the fourth year of a five-year plan. Non-GAAP net income climbed to $84.3 million, or $2.03 per diluted share, in fiscal year 2015.

Our strong operating performance resulted in another year of outstanding cash generation. We ended fiscal year 2015 with cash, cash equivalents, short and long-term marketable securities of nearly $265 million, up from $219 million at the end of fiscal year 2014, and our total liquidity exceeded $500 million. During the year, we repurchased 1 million shares at an average purchase price of $40.92 per share, totaling $40.9 million. Our increasingly robust financial foundation enables us to continue investing in our products, people, partners, programs and processes – either through internal initiatives or opportunistic M&A – as well as to return value via our stock repurchase activities.

On that note, we took additional steps entering fiscal year 2016 to improve the efficiency of our capital structure and return value to shareholders. Our Board approved a new 20 million share repurchase program in conjunction with our acquisition of Danaher's Communications Business. To help finance this activity as well as to ensure that we have sufficient cash on hand to propel our business forward, we secured a new $800 million credit facility. Based on the strong cash generation characteristics of our business, we believe that adding leverage to the balance sheet is an appropriate step in the evolution of our capital structure.

INVESTING IN CUSTOMER-DRIVEN INNOVATION

During fiscal year 2015, we continued to advance development and drive market acceptance of the nGeniusONE service assurance platform. Powered by our patented and proprietary Adaptive Service Intelligence (ASI) technology, nGeniusONE was launched in mid-2013 to assure the availability and performance of our customers' networks and business services as they transition to new technologies, such as virtualization, cloud, and IP convergence. In the fourth quarter of fiscal year 2015, we reached another nGeniusONE milestone when we released our newest version of this platform, completing a nearly two-year migration of key features and functionality from its predecessor platforms. Now our entire installed base can benefit from the next generation of all capabilities, without reverting to previous versions. We have also been adding new capabilities, enabling new use cases, such as assuring unified communications services in multiple vertical market segments. Our investment in innovation is matched by a strong commitment to delivering world-class customer support, and we were pleased that NetScout received the NorthFace ScoreBoard Award from Omega Management Group Corp. in recognition of achieving excellence in customer service in 2014.

ACCELERATING OUR STRATEGIC PROGRESS

The seeds of NetScout's fiscal year 2015 performance were planted several years ago. The investments we made, both organically and through acquisition, enabled us to add new capabilities and functionality to our offerings, further expand our customer relationships globally and expand our total addressable market from $1 billion to roughly $4 billion. The progress we've made in recent years helps highlight the exciting potential for our nGeniusONE platform and ASI technology, not only in our core markets but in a number of growth-oriented, adjacent market segments. However, we recognized that extending our reach into new markets would require more than just increased investment in our technology and products; it would also require substantially stronger and more global sales channels, and access to a larger installed base of customers. We believe that the acquisition of Danaher Corporation's Communications Business helps us in both of these areas and thus accelerates our strategy.

The acquisition includes three primary business units – Tektronix Communications, Arbor Networks, and the enterprise segment of Fluke Networks – each of which is well respected in the marketplace, with technologies and customer bases that are highly complementary to NetScout. This acquisition offers multiple advantages. First, it more than doubles our total addressable market to over $8 billion by expanding our range of market-leading offerings, jump-starting our entry into growth-oriented adjacencies such as cyber security, business intelligence and radio access network optimization, and extending our reach into the mid-tier of the enterprise market. Second, the solutions from each business use traffic-based data as key source technology, allowing us to consolidate on our patented ASI technology platform over time. Third, we will substantially strengthen our go-to-market capabilities in ways that will help us support a broader, more global and diverse customer base of service providers and enterprises. Finally, we will benefit from greater scale and a more strategic position with our customers. As a result, we believe that our Company will be poised to generate solid top-line growth over the next several years, which we expect will underpin the acceleration of non-GAAP profit margins, earnings and free cash flow, thanks to the scalability of our infrastructure along with prudent investment.

The feedback on this transaction from customers, partners, employees, and our shareholders regarding the potential of the combined company has been resoundingly positive. We are now focused on taking the necessary steps to realize this potential. There is considerable work ahead as we welcome over 2,000 new colleagues and many new customers to our Company. We look forward to learning from one another as we advance, refine and execute on our product roadmaps, and take the necessary steps to fortify and expand our customer relationships.

LOOKING AHEAD

We believe that NetScout's future is very bright. The marketplace continues to evolve rapidly and our customers are looking to NetScout to help them advance their technology initiatives and innovate with confidence. We view NetScout's solutions as being at the epicenter of many powerful technology trends such as IP convergence, mobility, 4G/LTE connectivity and related new high-value service offerings, virtualization, cyber security, big data and the evolving Internet. Our recently completed acquisition better positions us to capitalize on these and other emerging market needs, and become a more strategic partner to our customers around the world in the process.

We move forward into our fourth decade of business with the technical, operational and financial resources necessary to innovate and support our global customer base's near-term and longer-term requirements. In addition, we unveiled a refreshed NetScout brand this past spring with a more vibrant look and feel and a broader value proposition. From our logo to our language, the rebranding better reflects NetScout's mission and the mission of those who use our solutions as evidenced in our new tag line, "Guardians of the Connected World." We believe that our new marketing initiatives will help us further elevate our visibility among customers and prospects.

NetScout's success would not be possible without the hard work and commitment of our talented workforce. In addition to thanking our employees, customers, partners and other stakeholders for their support, I'd also like to extend my appreciation to our shareholders for supporting our transaction and for their continued confidence in NetScout's strategic direction. I look forward to sharing our progress and accomplishments with you.

Sincerely,

Anil K. Singhal

President, Chief Executive Officer and Chairman of the Board

July 22, 2015

FOR THE CONNECTED WORLD: SECURITY

By adding the Arbor Networks business, one of the world's largest and most successful cyber security vendors, NetScout jump-starts its entry into cyber intelligence and cyber security with a technology and market leader. Arbor's innovative solutions are relied upon by hundreds of service providers and enterprises to identify and mitigate high-volume Distributed Denial of Service (DDoS) attacks that attempt to bring down an online service. NetScout sees an exciting opportunity to accelerate Arbor's progress into the enterprise market by leveraging its own large and loyal enterprise installed base. In addition, over the longer term, there are exciting product collaboration opportunities as NetScout's ASI meta data can be used to introduce new capabilities that identify other types of security threats within Arbor's suite of cyber analytics.

FOR THE CONNECTED WORLD: SERVICE PROVIDERS

The acquisition of Danaher's Communications Business will elevate NetScout's value proposition to the service provider marketplace. By combining Tektronix's subscriber-specific troubleshooting capabilities with NetScout's holistic monitoring capabilities, we believe we can effectively address the near- and longer-term service assurance needs of service providers around the world. In addition, the Tektronix Communications business will help extend NetScout into complementary areas. For example, Tektronix offers solutions used by service providers to optimize the configuration and performance of the radio access network ("RAN"), the proverbial 'last mile' connecting subscribers and their devices to the cell tower. Additionally, Tektronix provides sophisticated "customer experience management" analytics that provide valuable insight into subscriber activity on the network, information that can further enhance the effectiveness of customer care, sales and marketing organizations.

FOR THE CONNECTED WORLD: ENTERPRISES

The enterprise business of Fluke Networks enables NetScout to extend its reach into the mid-tier of the enterprise market with a broader range of monitoring and troubleshooting capabilities, including innovative tools used in SaaS, cloud and wifi environments. This dynamic is expected to lead to high-value cross-selling opportunities over the longer term. Just as important, the combined Company will support a more global customer base and inherit a stronger reseller channel outside of the United States, with many leading VARs who are knowledgeable and capable of selling these sophisticated offerings.

FOR THE CONNECTED WORLD: THE "NEW" NETSCOUT

NetScout Systems moves forward into its fourth decade and another new era of growth and value creation. NetScout plays a vital role in helping our customers assure network availability, optimize the performance of the network and the services that are delivered across it, and gain time-sensitive insight into the end user experience. With the addition of award-winning network monitoring and security solutions from Danaher's Communications Business, NetScout will be better positioned to innovate and address the dynamic, evolving service and cyber assurance needs of a larger, more diverse and more global base of service provider and enterprise customers. NetScout created significant value for shareholders during the past five-year period, and the Company remains optimistic about its potential over the next five-year cycle. As NetScout continues to generate solid top-line growth over the next several years, the Company expects that its non-GAAP profit margins, earnings and free cash flow will accelerate, thanks to the scalability of the infrastructure along with ongoing prudent investment.

nGeniusONE AND THE POWER OF ADAPTIVE SERVICE INTELLIGENCE:

Market acceptance of the nGeniusONE service assurance platform has continued to grow since this offering was introduced two years ago. Powered by our patented and proprietary Adaptive Service Intelligence (ASI) technology, nGeniusONE helps both enterprises and service providers gain valuable, actionable insight into the live data traffic flowing over those networks. As a result, customers can further optimize the performance of their networks, identify and triage service and application delivery issues even before they impact the end user experience, and advance innovative technology initiatives with confidence. During fiscal year 2015, adoption of nGeniusONE progressed with virtually all of NetScout's largest customers having completed their initial upgrades to nGeniusONE. Related to this, NetScout experienced exceptionally strong renewal rates for maintenance and support services throughout the year.

NETSCOUT™

Notice of 2015 Annual Meeting
and
Proxy Statement

July 28, 2015

Dear Stockholder:

You are cordially invited to attend the 2015 Annual Meeting of Stockholders of NetScout Systems, Inc. on Tuesday, September 22, 2015 at NetScout Systems, Inc., 310 Littleton Road, Westford, Massachusetts (the "Annual Meeting"). This will be NetScout's first annual meeting of stockholders since completing in July 2015 its $2.3 billion strategic acquisition of Danaher's communications business, comprising Tektronix Communications, Arbor Networks, and certain parts of Fluke Networks. We believe this transformative acquisition is highly compelling strategically, operationally, and financially, and will create stockholder value well in excess of what NetScout could achieve on its own.

At the Annual Meeting, you will be asked to:

1. elect three directors nominated by our board of directors;
2. approve the amendment and restatement of our 2007 Equity Incentive Plan to increase the number of shares of our common stock authorized for issuance thereunder by 8,500,000 shares and make certain other changes as described in Proposal 2;
3. ratify the selection of PricewaterhouseCoopers LLP as auditors for the fiscal year ending March 31, 2016; and
4. approve, on an advisory basis, the compensation of our named executive officers.

The accompanying proxy statement describes these matters in more detail.

It is important that your shares be voted whether or not you attend the meeting. Please follow the voting instructions on the Notice of Internet Availability of Proxy Materials that you received. If you received a proxy card or voting instruction form, please complete the proxy card or voting instruction form promptly. If your shares are held in a bank or brokerage account, you may be eligible to vote electronically or by telephone—please refer to your voting instruction form. If you attend the meeting, you may vote in person even if you have previously returned your vote in accordance with the foregoing. We appreciate your cooperation.

Very truly yours,

Anil K. Singhal
Chairman, President, and Chief Executive Officer

NETSCOUT SYSTEMS, INC.
310 Littleton Road
Westford, MA 01886

NOTICE OF THE 2015 ANNUAL MEETING OF STOCKHOLDERS
To be held September 22, 2015

To the Stockholders of NetScout Systems, Inc.:

The 2015 Annual Meeting of Stockholders of NetScout Systems, Inc. (the “Annual Meeting”) will be held on Tuesday, September 22, 2015, at 10:00 a.m. at NetScout Systems, Inc., 310 Littleton Road, Westford, Massachusetts 01886, for the following purposes:

1. To elect three Class I directors nominated by our board of directors to serve for a three-year term or until their successors are elected and qualified.
2. To approve the amendment and restatement of our 2007 Equity Incentive Plan to increase the number of shares of our common stock authorized for issuance thereunder by 8,500,000 shares and make certain other changes as described in Proposal 2.
3. To ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending March 31, 2016.
4. To approve, on an advisory basis, the compensation of our named executive officers, as disclosed in our proxy statement, in accordance with Securities and Exchange Commission rules.
5. To consider other business properly brought before the meeting or any adjournment.

Stockholders of record at the close of business on July 24, 2015, the record date for determining stockholders entitled to vote at the Annual Meeting, will be entitled to vote at the meeting and any adjournments.

To provide faster access, minimize cost, and reduce waste, we are mailing to most of our stockholders a Notice of Internet Availability of Proxy Materials, or Notice, instead of a paper copy of this proxy statement and our Annual Report to Stockholders for the fiscal year ended March 31, 2015, or the 2015 Annual Report. Stockholders who have requested a paper copy of our proxy materials will continue to receive them by mail. The Notice contains instructions on how to access those documents over the internet and how to request a paper copy of this proxy statement, our 2015 Annual Report, and a form of proxy card or voting instruction card.

All stockholders are cordially invited to attend the meeting in person. However, to assure your representation at the meeting you are urged to complete, sign, date, and return the proxy card mailed or made available to you or vote over the telephone or the internet as instructed in these materials so that your shares can be voted at the Annual Meeting in accordance with your instructions. If your shares are held in a bank or brokerage account, you may be eligible to vote electronically or by phone—please refer to your Notice. If you attend the meeting, you may vote in person even if you have previously returned your vote in accordance with the foregoing.

Notice regarding the availability of proxy materials for the Annual Meeting to be held on September 22, 2015. Our proxy statement, the proxy card, and NetScout’s Annual Report to Stockholders for the fiscal year ended March 31, 2015 are all available free of charge as described in the attached materials.

By Order of the Board of Directors,

Anil K. Singhal
Chairman, President, and Chief Executive Officer

Westford, Massachusetts
July 28, 2015

NETSCOUT SYSTEMS, INC.
310 Littleton Road
Westford, MA 01886

PROXY STATEMENT

July 28, 2015

Questions and Answers about these Proxy Materials and Voting

What is the purpose of the Annual Meeting?

The purpose of the Annual Meeting is to:

- elect three Class I directors nominated by our Board to serve for a three-year term or until their successors are elected and qualified;
- approve the amendment and restatement of the NetScout Systems, Inc. 2007 Equity Incentive Plan ("2007 Plan") to increase the number of shares of our common stock authorized for issuance thereunder by 8,500,000 shares and make certain other changes as described in Proposal 2;
- ratify the selection of PricewaterhouseCoopers LLP as our an independent registered public accounting firm for the fiscal year ending March 31, 2016;
- obtain advisory approval of the compensation of our Named Executive Officers (as defined herein), as disclosed in this proxy statement in accordance with SEC rules; and
- conduct other business that properly comes before the Annual Meeting or any adjournment.

Why did I receive a notice regarding the availability of proxy materials on the internet?

We intend to mail the Notice of Internet Availability of Proxy Materials, or the Notice, on or about July 28, 2015 to all stockholders of record entitled to vote at the 2015 Annual Meeting of Stockholders of NetScout Systems, Inc., or the Annual Meeting, and will make available the proxy statement and form of proxy to stockholders on such date. Unless the context suggests otherwise, references in this proxy statement to "NetScout," the "Company, "we," "us," and "our" refer to NetScout Systems, Inc. and, where appropriate, its subsidiaries. The matters to be voted on at the Annual Meeting are set forth in the Notice of the Annual Meeting of Stockholders and further described below.

We are providing access to our proxy materials over the internet. Accordingly, we have sent you the Notice because the Board of Directors, or the Board, of NetScout Systems, Inc., a Delaware corporation, is soliciting your proxy to vote at the Annual Meeting, including at any adjournments or postponements of the meeting. All stockholders will have the ability to access the proxy materials on the website referred to in the Notice or request to receive a printed set of the proxy materials. The proxy materials include the proxy statement, form of proxy, and our Annual Report to Stockholders for the fiscal year ended March 31, 2015, which contains financial statements for the fiscal year ended March 31, 2015.

You are invited to attend the Annual Meeting on Tuesday, September 22, 2015 at 10:00 a.m. local time at NetScout Systems, Inc., 310 Littleton Road, Westford, Massachusetts 01886.

How does the Board recommend that I vote?

The Board recommends that you vote "FOR" the nominees to our Board, "FOR" the ratification of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending March 31, 2016, "FOR" approval of the amendment and restatement of the 2007 Plan to increase the number of shares of our common stock authorized for issuance thereunder by 8,500,000 shares and make certain other changes as described in Proposal 2, and "FOR" approval, on an advisory basis, of the compensation of our Named Executive Officers.

Will I receive any other proxy materials by mail?

We may send you a proxy card, along with a second Notice, on or after August 7, 2015.

Who can vote?

Stockholders of record as of July 24, 2015, or the Record Date, may vote. As of the Record Date, 102,321,441 shares of our common stock were issued and outstanding. Holders of common stock are entitled to one vote per share on proposals presented at the Annual Meeting.

What is the difference between holding shares as a stockholder of record and as a beneficial owner?

If your shares are registered directly in your name with our transfer agent, Computershare Shareowner Services (formerly BNY Mellon Shareowner Services LLC), you are considered a "stockholder of record" of those shares.

If your shares are held in an account at a bank, broker, or other intermediary, you are not a stockholder of record but instead are a "beneficial owner" of shares held in "street name," in which case the intermediary would be considered the stockholder of record for purposes of voting at the Annual Meeting. As a beneficial owner, you have the right to direct your bank, broker, or other intermediary, which we collectively refer to as your "Broker," to vote the shares held in your account.

"Non-routine" matters are matters that may substantially affect stockholder rights, such as mergers, stockholder proposals, and the election of directors. Under securities rules, your Broker is not permitted to vote for non-routine matters without receiving instructions from you.

At the Annual Meeting, the director proposal, equity plan proposal, and the "say-on-pay" proposal are non-routine, and we therefore encourage you to provide specific voting instructions to your Broker. The only routine matter included in this Proxy Statement is the ratification of our appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending March 31, 2016.

How do I vote my shares?

Stockholder of Record: Shares Registered in Your Name

If you are a stockholder of record, you may vote in person at the Annual Meeting or vote by proxy over the phone, through the internet, or using a proxy card that you may request or that we may elect to deliver at a later time. Whether or not you plan to attend the Annual Meeting, we urge you to vote by proxy to ensure your vote is counted. You may still attend the Annual Meeting and vote in person even if you have already voted by proxy.

- To vote in person, come to the annual meeting and we will give you a ballot when you arrive.
- To vote using the proxy card, simply complete, sign and date the proxy card that may be delivered and return it promptly in the envelope provided. If you return your signed proxy card to us before the Annual Meeting, we will vote your shares as you direct.
- To vote over the telephone, dial toll free 1-800-652-8683 using a touch-tone phone and follow the recorded instructions. You will be asked to provide the company number and control number from the Notice. Your telephone vote must be received by 11:59 p.m., Eastern Time on September 21, 2015 to be counted.
- To vote through the internet, go to www.edocumentview.com/NTCT to complete an electronic proxy card. You will be asked to provide the company number and control number from the Notice. Your internet vote must be received by 11:59 p.m., Eastern Time on September 21, 2015 to be counted.

Beneficial Owner: Shares Registered in the Name of Broker or Bank

If you are a beneficial owner of shares registered in the name of your Broker, you should have received a Notice containing voting instructions from that organization rather than from us. Simply follow the voting instructions in the Notice to ensure that your vote is counted. To vote in person at the Annual Meeting, you must obtain a valid proxy from your Broker.

Our Board named Anil K. Singhal and Jean Bua as attorneys-in-fact in the proxies. If your proxy has been properly executed and returned in time to be counted at the Annual Meeting, the shares represented by your proxy will be voted in accordance with your voting instructions. If you have returned a signed proxy but have not indicated your vote, your proxy will be voted "FOR" the nominees to our Board, "FOR" the equity proposal, "FOR" the ratification of the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending March 31, 2016, and "FOR" the advisory approval of the compensation of our Named Executive Officers. Our Board knows of no other matters to be presented at the Annual Meeting. For other matters that may properly come before the Annual Meeting, the attorneys-in-fact will use their judgment in voting your shares.

May I change or revoke my proxy?

You may revoke your proxy before it is voted at the Annual Meeting. If you are a stockholder of record, you may do so by (1) filing a written notice of revocation (dated after the original proxy) with the Secretary of NetScout before the vote at the Annual Meeting, (2) completing a later-dated proxy, including by internet or phone, and delivering it to the Secretary of NetScout before the vote at the Annual Meeting, or (3) attending the Annual Meeting and voting in person. You should send any written notice of revocation, to be delivered before the Annual Meeting, to NetScout Systems, Inc., 310 Littleton Road, Westford, MA 01886, Attention: Secretary. If you hold shares through a Broker, you must contact that Broker directly to revoke any prior voting instructions.

How is a quorum determined?

A quorum of stockholders is necessary to conduct any business at the Annual Meeting. A quorum will be present if a majority of the outstanding shares of our common stock entitled to vote at the Annual Meeting are present at the meeting in person or represented by proxy. On the Record Date, there were 102,321,441 shares outstanding and entitled to vote.

To determine a quorum, we include votes withheld from any nominee, abstentions, and broker "non-votes." Broker "non-votes" occur when a beneficial owner does not give instructions to the Broker how to vote on matters deemed "non-routine." As discussed above, if the beneficial owner does not provide voting instructions, the Broker can still vote the shares with respect to matters that are considered to be "routine" but not with respect to "non-routine" matters. Your shares will be counted towards the quorum only if you submit a valid proxy or one is submitted on your behalf by your Broker or if you vote in person at the meeting. If there is no quorum, the meeting may adjourn to another date.

What vote is required to approve each proposal and how are votes counted?

Proposal 1: Election of Directors: At the Annual Meeting there are three director nominees. The nominees to serve as Class I directors who receive the most votes (also known as a "plurality" of the votes cast) will be elected. You may vote either "FOR" the nominee or "WITHHOLD" your vote from the nominee. Votes that are withheld will not be included in the vote tally for the election of the director. Brokers do not have authority to vote beneficial owners' unvoted shares for the election of directors. As a result, any shares not voted by a beneficial owner will be treated as broker non-votes. Such broker non-votes will have no effect on the results of this vote. If the nominee receives a greater number of votes "withheld" from his or her election than votes "for" such election, such nominee will submit his or her offer of resignation for consideration by our Nominating and Corporate Governance Committee in accordance with our majority vote policy as discussed in more detail in the Majority Vote Policy section of this proxy statement.

Proposal 2: Approval of the Amendment and Restatement of the 2007 Plan to Increase the Number of Shares of our Common Stock Authorized for Issuance Thereunder by 8,500,000 Shares and Make Certain Other Changes as Described in Proposal 2: The affirmative vote of a majority of the shares present or represented and voting on this proposal is required to approve the amendment and restatement of the 2007 Plan to increase the number of shares of our common stock authorized for issuance thereunder by 8,500,000 shares and make certain other changes as described in Proposal 2. Abstentions will not be counted towards the vote total and will have no effect on the results of this vote. Brokers do not have authority to vote beneficial owners' unvoted shares on this proposal. As a result, any shares not voted by a beneficial owner will be treated as broker non-votes. Such broker non-votes will have no effect on the results of this vote.

Proposal 3: Ratification of Appointment of Independent Registered Public Accounting Firm: The affirmative vote of a majority of the shares present or represented and voting on this proposal is required to ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending March 31, 2016. Abstentions will not be counted towards the vote total and will have no effect on the results of this vote. Brokers have authority to vote beneficial owners' unvoted shares on this proposal. If a Broker does not exercise this authority, such Broker non-votes will have no effect on the results of this vote. We are not required to obtain the approval of our stockholders to appoint PricewaterhouseCoopers LLP as our independent registered public accounting firm. However, if our stockholders do not ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for our fiscal year ending March 31, 2016, the Audit Committee of our Board will consider the results of this vote when selecting auditors in the future.

Proposal 4: Advisory Vote on Executive Compensation: The affirmative vote of a majority of the shares present or represented and voting on this proposal is required to approve the advisory vote on the compensation of our Named Executive Officers. Abstentions will not be counted towards the vote total and will have no effect on the results of this vote. Brokers do not have authority to vote beneficial owners' unvoted shares on this proposal. As a result, any shares not voted by a beneficial owner will be treated as broker non-votes. Such broker non-votes will have no effect on the results of this vote.

When are stockholder proposals and director nominations due for next year's annual meeting?

To be considered for inclusion in next year's proxy materials, your proposal must be submitted in writing to our principal executive offices at 310 Littleton Road, Westford, Massachusetts 01886, attention: Secretary and must be received by us no later than March 30, 2016. We suggest that you submit your proposals by registered mail, return receipt requested. Proposals must satisfy the procedures set forth in Rule 14a-8 under the Securities Exchange Act of 1934, as amended, or the Exchange Act.

If you wish to submit a proposal for next year's annual meeting that is not to be included in next year's proxy materials or wish to nominate a director, you must submit such proposal or nomination in writing to our executive offices at 310 Littleton Road, Westford, Massachusetts 01886, attention: Secretary, and such proposal or nomination must be received by us no earlier than the close of business of May 25, 2016 and no later than the close of business of June 24, 2016 and must satisfy the requirements described below under "Stockholder Recommendations for Nominees as Directors and the Proposal of Other Business." If the date of next year's Annual Meeting is advanced by more than 30 days or delayed by more than 60 days after the anniversary of our annual meeting with respect to the year ended March 31, 2015, any stockholder recommendation or proposal must be received by us no earlier than the close of business on the 90th day prior to such advanced or delayed annual meeting date and no later than the close of business on the later of (i) the 60th day prior to such advanced or delayed annual meeting date or (ii) the 10th day following the day on which the first public announcement of the meeting date is first made by us. You are also advised to review our by-laws, which contain additional requirements about advance notice of stockholder proposals and director nominations.

Householding of Annual Meeting Materials

Some Brokers may be "householding" our proxy materials. This means that only one copy of the Notice may have been sent to multiple stockholders in your household. We will deliver a separate copy to you if you call or write us at our principal executive offices, 310 Littleton Road, Westford Massachusetts 01886, Attn: Investor Relations, telephone: (978) 614-4000. If you want to receive separate copies of the Notice in the future or if you are receiving multiple copies and would like to receive only one copy per household, you should contact your Broker, or you may contact us.

PROPOSAL 1
ELECTION OF DIRECTORS

The following table sets forth the current directors and the nominees to be elected at the Annual Meeting:

Nominee or Director's Name and Year First Became Director	Positions with NetScout	Year Term Will Expire	Class
Nominees:			
Victor A. DeMarines (2004)	Director	2015	I
Vincent J. Mullarkey (2000)	Director	2015	I
James A. Lico (2015)	Director	2015	I
Continuing Directors:			
Anil K. Singhal (1984)	Chairman, President, and Chief Executive Officer	2016	II
John R. Egan (2000)	Director	2016	II
Robert E. Donahue (2013)	Director	2016	II
Joseph G. Hadzima, Jr. (1998)	Director	2017	III
Christopher Perretta (2014)	Director	2017	III

The Nominees for Class I Director are Messrs. DeMarines, Mullarkey and Lico

Messrs. DeMarines, Mullarkey and Lico are Class I directors whose terms expire at the Annual Meeting and who are nominees for re-election for terms that would expire upon the election and qualification of directors at the annual meeting to be held in 2018. Under the Agreement and Plan of Merger and Reorganization, dated October 12, 2014 ("Merger Agreement") by and among the Company, Danaher Corporation ("Danaher") and certain subsidiaries of the Company and Danaher, the Company agreed to appoint to the Company's Board one individual designated by Danaher, effective on the closing date of the merger, which was July 14, 2015. Danaher designated, and the Board elected, James A. Lico as a new director. The Merger Agreement requires that, subject to the Board's fiduciary duties, the Board propose Mr. Lico as a director nominee for election to the Board at the Annual Meeting, to serve until the Company's 2018 meeting of stockholders and until his successor is duly elected and qualified.

Continuing Directors

The Board is also composed of three Class II directors, Messrs. Singhal, Egan, and Donahue, whose terms expire in 2016, and two Class III directors, Messrs. Hadzima and Perretta, whose terms expire in 2017.

As of the Record Date, the size of the Board is fixed at eight members. NetScout's by-laws and certificate of incorporation divide the Board into three classes. The members of each class of directors serve for staggered three-year terms.

Proposal and Recommendation

Our Board has nominated and recommended that Messrs. DeMarines, Mullarkey, and Lico be re-elected as a Class I directors, to hold office until the annual meeting to be held in the year 2018 or until their successors have been duly elected and qualified or until their earlier resignation or removal.

The Board knows of no reason why the nominee would be unable or unwilling to serve, but if the nominee should be unable or unwilling to serve, the proxies will be voted for the election of such other person for the office of director as the Board may recommend in the place of such nominee. Unless otherwise instructed, the proxy holders will vote the proxies received by them for the nominee named above.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE NOMINEES FOR DIRECTOR.

PROPOSAL 2
APPROVAL OF AMENDMENT AND RESTATEMENT OF 2007 PLAN

Introduction

The 2007 Plan was originally approved by our stockholders on September 12, 2007. The 2007 Plan was subsequently amended and restated by our Board and such amendment and restatement was approved by our stockholders on September 7, 2011. On July 6, 2015, our Board approved an amendment and restatement of the 2007 Plan, or the Amended 2007 Plan, subject to the approval of our stockholders.

Approval of the Amended 2007 Plan by our stockholders will allow us to continue to grant restricted stock unit, or RSU, awards and other equity awards at levels determined appropriate by our Board or Compensation Committee.

Material Changes

Our Board is requesting stockholder approval of the Amended 2007 Plan to make the following material changes:

- increase the aggregate number of shares of our common stock authorized for issuance under the Amended 2007 Plan by 8,500,000 shares (from 10,156,693 shares under the 2007 Plan to 18,656,693 shares under the Amended 2007 Plan), subject to adjustment for certain changes in our capitalization; and
- extend the term of the Amended 2007 Plan to July 5, 2025 (from September 11, 2017 under the 2007 Plan), which is the date immediately preceding the ten-year anniversary of the date the Amended 2007 Plan was approved by our Board.

Why We Are Requesting Additional Shares Now

We compete to attract and retain talented employees and other service providers at all levels, and equity awards, as at many technology companies, are a critical component of our compensation philosophy and our annual compensation structure. Having the ability to grant equity awards is essential for us to be able to attract, motivate and retain a talented workforce. In addition, our recent acquisition of the communications business of Danaher Corporation, or the Danaher Communications Business, was a transformative transaction that has significantly increased our workforce (from approximately 1,000 employees to approximately 3,200 employees) and has resulted in a need to have a sufficient number of shares to provide equity awards to our employees who will help lead us through the integration and our continued growth.

As of July 24, 2015, there were 5,746,585 shares remaining available for grant under the 2007 Plan. If we exhaust our remaining share reserve, we will be limited in our ability to grant equity awards to our new and existing employees, which would significantly hamper our efforts to provide a competitive pay package to such individuals. Therefore, we believe that approval of this Proposal 2 is in the best interest of our stockholders and NetScout.

Our last share increase request for the 2007 Plan, which was approved by our stockholders, was in 2011. We believe that this new share increase request will provide us with a sufficient number of shares to enable us to grant equity awards to our employees, directors, and consultants for approximately three years.

While we recognize that equity awards may have a dilutive impact on existing stockholders, we believe that we have managed our existing share reserve carefully, and that our current level of dilution and “burn rate” is reasonable and in line with those of our peer companies, as demonstrated in the tables below.

Why You Should Vote for the Amended 2007 Plan

We Manage Our Equity Award Use Carefully and Dilution Is Reasonable

The following table provides certain additional information regarding our equity incentive program.

	As of July 24, 2015 (Record Date)
Total number of shares of common stock subject to outstanding stock options	0
Total number of shares of common stock subject to outstanding full value awards	1,884,481
Total number of shares of common stock available for grant under the 2007 Plan	5,746,585
Total number of shares of common stock available for grant under other equity incentive plans	0
Total number of shares of common stock outstanding	102,321,441
Per-share closing price of common stock as reported on NASDAQ Global Select Market	$38.04

Our Burn Rate Is Reasonable

The following table provides detailed information regarding the activity related to the 2007 Plan for our last three fiscal years. Our only equity incentive plan is the 2007 Plan.

	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2015
Total number of shares of common stock subject to stock options granted	0	0	0
Total number of shares of common stock subject to full value awards granted	764,893	602,359	1,009,770(1)
Weighted-average number of shares of common stock outstanding	41,665,000	41,366,000	41,105,000
Burn Rate	1.8%	1.5%	2.5%

(1) Includes approximately 200,000 shares that were subject to a Company-wide grant made in recognition of the Company's 30th anniversary. In recognition of the Company's 30th anniversary, each employee received an RSU award of 200 shares, except for Mr. Singhal and except for China-based employees who were given cash equivalents. The anniversary grants are subject to our normal four-year vesting schedule.

The Amended 2007 Plan Combines Compensation and Corporate Governance Best Practices

The Amended 2007 Plan includes provisions that are designed to protect our stockholders' interests and to reflect corporate governance best practices, including the following:

- ***Repricing is not allowed***. The Amended 2007 Plan prohibits the repricing of outstanding stock options and stock appreciation rights and the cancellation of any outstanding stock options or stock appreciation rights that have an exercise or strike price greater than the then-current fair market value of our common stock in exchange for cash or other awards under the Amended 2007 Plan without prior stockholder approval.
- ***Stockholder approval is required for additional shares***. The Amended 2007 Plan does not contain an annual "evergreen" provision. The Amended 2007 Plan authorizes a fixed number of shares, so that stockholder approval is required to issue any additional shares, allowing our stockholders to have direct input on our equity compensation programs.
- ***Limit on full value awards***. The Amended 2007 Plan limits the number of shares available for full value awards (i.e., any award other than a stock option or stock appreciation right with an exercise or strike price of at least 100% of the fair market value of the underlying common stock on the date of grant) by providing that each share issued pursuant to a full value award reduces the number of shares available for grant under the Amended 2007 Plan by two shares. We provide this limit to reflect the greater grant date value of full value award shares as compared to stock options and stock appreciation rights, and we believe this ratio appropriately reflects the difference in value.

- ***No liberal share counting of appreciation awards***. The following shares will not become available again for issuance under the Amended 2007 Plan: (i) shares that are reacquired or withheld (or not issued) by us to satisfy the exercise or strike price of an appreciation award (i.e., a stock option or stock appreciation right with an exercise or strike price of at least 100% of the fair market value of the underlying common stock on the date of grant); (ii) shares that are reacquired or withheld (or not issued) by us to satisfy a tax withholding obligation in connection with an appreciation award; and (iii) shares repurchased by us on the open market with the proceeds of the exercise or strike price of an appreciation award.
- ***No single trigger accelerated vesting upon change in control***. The Amended 2007 Plan does not provide for any automatic mandatory vesting of awards upon a change in control.
- ***No liberal change in control definition***. The definition of an "Acquisition" in the Amended 2007 Plan requires the consummation of an actual transaction in order for the acquisition provisions in the Amended 2007 Plan to be triggered.
- ***No discounted stock options or stock appreciation rights***. All stock options and stock appreciation rights granted under the Amended 2007 Plan must have an exercise or strike price equal to or greater than the fair market value of our common stock on the date the stock option or stock appreciation right is granted.

Forecasted Utilization Rates

In evaluating whether to approve the Amended 2007 Plan, our Board reviewed certain forecasts of restricted stock unit awards for grant under the 2007 Plan. Management presented the forecasts below for the periods indicated. As set out below, using assumptions drawn from historic use and including the significant expansion of the number of employees that became part of the Company in connection with the acquisition of the Danaher Communications Business, and applying historic rates of grant to the new employees, the Company's management projects to grant restricted stock unit awards under the 2007 Plan during the current fiscal year such that an insufficient number of shares would remain available under the 2007 Plan for Company-wide grants to eligible employees.

Projected Equity Use
(three-year model, with assumptions)

	Year 1 ending March 31, 2016	Year 2 ending March 31, 2017	Year 3 ending March 31, 2018
Shares Available for Grant (as of March 31 of prior year)	**5,682,319**	**2,596,447**	**-2,570,643**
Annual Grants (Non-Danaher Communications Business-Related, i.e., historic NetScout employees)	725,000	761,250	799,313
Danaher Communications Business-Related Grants (i.e., historic Danaher Communications Business employees)	690,200	1,541,110	1,618,166
Other (typically used for new hires, promotions, new employees as part of an acquisition, etc.)	127,736	281,185	334,881
Total Shares Projected to be Granted	1,542,936	2,583,545	2,752,360
Total Share Reserve Reduction (Shares Projected to be Granted x 2)(1)	3,085,872	5,167,090	5,504,720
Remaining Share Reserve	**2,596,447**	**-2,570,643**	**-8,075,363**

(1) For purposes of the "Total Share Reserve Reduction" amounts, the number of shares projected to be granted is multiplied by two because under the terms of the 2007 Plan, each share issued pursuant to a full value award reduces the number of shares available for grant under the 2007 Plan by two shares.

Note Regarding Forecasts and Forward-Looking Statements

We do not as a matter of course make public forecasts as to our use of various equity awards due to the unpredictability of the underlying assumptions and estimates. In particular, the forecasts set forth above in this

Proposal 2 include embedded assumptions regarding the public trading price of our common stock and other factors, which we do not control and, as a result, we do not as a matter of practice provide forecasts. In evaluating these forecasts, our Board recognized the high variability inherent in these assumptions.

However, we have included above a summary of these forecasts to give our stockholders access to certain information that was considered by our Board for purposes of evaluating the approval of the Amended 2007 Plan. These forecasts reflect various assumptions regarding our future operations.

The inclusion of the forecasts set forth above should not be regarded as an indication that these forecasts will be predictive of actual future outcomes, and the forecasts should not be relied upon as such. Neither we nor any other person makes any representation to any of our stockholders regarding actual outcomes compared to the information contained in the forecasts set forth above. Although presented with numerical specificity, the forecasts are not fact and reflect numerous assumptions and estimates as to future events made by our management that our management believed were reasonable at the time the forecasts were prepared and other factors such as industry performance and general business, economic, regulatory, market and financial conditions, as well as factors specific to our business, all of which are difficult to predict and many of which are beyond the control of our management. In addition, the utilization forecasts with respect to our equity awards do not take into account any circumstances or events occurring after the date that they were prepared and, accordingly, do not give effect to any changes to our operations or strategy that may be implemented in the future. Accordingly, actual outcomes may be, and likely will be, materially different than those reflected in the forecasts. We do not intend to update or otherwise revise the forecasts to reflect circumstances existing after the date when made or to reflect the occurrence of future events even if any or all of the assumptions underlying the forecasts are shown to be in error. The forecasts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21A of the Securities Exchange Act of 1934, as amended. These statements involve risks and uncertainties that could cause actual outcomes to differ materially from those in the forward-looking statements, including our ability to attract and retain talent, achievement of performance metrics, if any, with respect to certain equity awards, the extent of stock option exercise activity, and others described in our Annual Report on Form 10-K for the fiscal year ended March 31, 2015.

Stockholder Approval

If this Proposal 2 is approved by our stockholders, the Amended 2007 Plan will become effective as of the date of the Annual Meeting. In the event that our stockholders do not approve this Proposal 2, the Amended 2007 Plan will not become effective and the 2007 Plan will continue in its current form.

Description of the Amended 2007 Plan

The material features of the Amended 2007 Plan are described below. The following description of the Amended 2007 Plan is a summary only and is qualified in its entirety by reference to the complete text of the Amended 2007 Plan. Stockholders are urged to read the actual text of the Amended 2007 Plan in its entirety, which is attached to this proxy statement as Appendix A.

Purpose. The purpose of the Amended 2007 Plan is to provide restricted stock units, stock, stock options and other equity interests in NetScout to our (including our affiliates') employees, officers, directors, consultants and advisors.

Eligibility. All of our (including our affiliates') approximately 3,200 employees, four officers, eight directors, and 245 consultants and advisors as of July 24, 2015 are eligible to participate in the Amended 2007 Plan and may receive all types of awards other than incentive stock options, although we have historically not granted any awards to consultants or advisors. Incentive stock options may be granted under the Amended 2007 Plan only to our employees (including officers) and employees of our affiliates.

Administration. Our Board has the authority to administer the Amended 2007 Plan. Accordingly, subject to the terms of the Amended 2007 Plan, our Board may grant and amend awards, adopt, amend and repeal rules relating to the Amended 2007 Plan, and interpret and correct the provisions of the Amended 2007 Plan and any award granted under the Amended 2007 Plan. Our Board has delegated its authority to administer the Amended 2007 Plan to our Compensation Committee. Any reference to our Board in this description of the Amended 2007 Plan will be deemed to include our Compensation Committee.

Our Board may also delegate to one or more of our executive officers the power to grant awards and exercise such other powers under the Amended 2007 Plan as determined by our Board, provided that our Board will fix the maximum number of awards to be granted and the maximum number of shares issuable to any participant pursuant to awards granted by such executive officers.

Repricing; Cancellation and Re-Grant of Awards. Under the Amended 2007 Plan, (i) the exercise or strike price of a stock option or stock appreciation right may not be reduced, and (ii) no stock option or stock appreciation right that has an exercise or strike price greater than the then-current fair market value of our common stock may be cancelled in exchange for cash or other awards under the Amended 2007 Plan, in each case unless our stockholders have approved such an action within 12 months prior to such an event.

Shares Subject to the Amended 2007 Plan. Subject to adjustment for certain changes in our capitalization, the aggregate number of shares of our common stock that may be issued pursuant to the Amended 2007 Plan is 18,656,693 shares, plus any shares that become available for subsequent issuance under the Amended 2007 Plan from time to time pursuant to the terms of the Amended 2007 Plan, as described below, or the Returning Shares.

The number of shares available for issuance under the Amended 2007 Plan will be reduced by (i) one share for each share of our common stock issued pursuant to an appreciation award, (ii) one share for each share of our common stock issued pursuant to a full value award that was granted prior to March 31, 2011 and (iii) two shares for each share of our common stock issued pursuant to a full value award that was granted on or after March 31, 2011.

If any award granted under the Amended 2007 Plan expires or otherwise terminates without all of the shares covered by such award having been issued or is settled in cash, such expiration, termination or settlement will not reduce the number of shares available for issuance under the Amended 2007 Plan. If any shares issued pursuant to an award granted under the Amended 2007 Plan are forfeited back to us because of a failure to vest, then the forfeited shares will again become available for issuance under the Amended 2007 Plan. If a share of our common stock is issued pursuant to a full value award and such share becomes available for issuance under the Amended 2007 Plan in accordance with this paragraph, the number of shares available for issuance under the Amended 2007 Plan will increase by one share with respect to shares that become available for issuance prior to March 31, 2011 and two shares with respect to shares that become available for issuance on or after March 31, 2011. Also, each share reacquired or withheld (or not issued) by us to satisfy tax withholding obligations in connection with any full value award will again become available for issuance under the Amended 2007 Plan and will increase the number of shares available for issuance under the Amended 2007 Plan by one share with respect to shares that become available for issuance prior to March 31, 2011 and two shares with respect to shares that become available for issuance on or after March 31, 2011.

If any shares of our common stock are reacquired or withheld (or not issued) by us to satisfy the exercise or strike price of an appreciation award, the number of shares that are reacquired or withheld (or not issued) will no longer be available for issuance under the Amended 2007 Plan. Any shares reacquired or withheld (or not issued) by us to satisfy tax withholding obligations in connection with an appreciation award will no longer be available for issuance under the Amended 2007 Plan. Any shares repurchased by us on the open market with the proceeds of the exercise or strike price of an appreciation award will not be available for issuance under the Amended 2007 Plan.

In any event, the cumulative number of shares that may be issued under the Amended 2007 Plan will not exceed 18,656,693 shares, plus the Returning Shares. Shares issued under the Amended 2007 Plan may consist in whole or in part of authorized but unissued shares or treasury shares.

Per-Participant Limit. Under the Amended 2007 Plan, subject to adjustment for certain changes in our capitalization, no participant may be granted awards during any one fiscal year of the Company with respect to more than 500,000 shares of our common stock.

Changes to Capital Structure. In the event of any stock split, stock dividend, recapitalization, reorganization, merger, consolidation, combination, exchange of shares, liquidation, spin-off, split-up, or other similar change in capitalization or event, (i) the number and class of securities available for awards under the Amended 2007 Plan and the per-participant share limit, (ii) the number and class of securities, vesting schedule and exercise price per share subject to each outstanding stock option, (iii) the repurchase price per security subject to repurchase, and (iv) the terms of each other outstanding stock-based award will be adjusted (or substituted awards may be made) by our Board in a proportionate and equitable manner to the extent that such event increases or decreases the actual outstanding shares of our common stock as of immediately prior to such event.

Restricted Stock and Restricted Stock Unit Awards. Our Board may grant restricted stock and restricted stock unit awards under the Amended 2007 Plan and establish the applicable terms and conditions for such awards.

Stock Options. Our Board may grant stock options under the Amended 2007 Plan in the form of nonqualified stock options or incentive stock options, or ISOs. The exercise price of stock options granted under the Amended 2007 Plan may not be less than 100% of the fair market value of our common stock on the date of grant, provided that the exercise price of any ISO granted to a 10% stockholder (i.e., an employee who, at the time of grant, owns or is deemed to own stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any of our affiliates) must be at least 110% of the fair market value of our common stock on the date of grant. The term of stock options granted under the Amended 2007 Plan may not exceed ten years from the date of grant, provided that the term of any ISO granted to a 10% stockholder must not exceed five years from the date of grant. Our Board will establish the vesting schedule for stock options and the method of payment for the exercise price, which may include cash, shares, payment through a broker-assisted exercise, a promissory note, or other lawful types of consideration.

Other Stock-Based Awards. Our Board may grant other stock-based awards under the Amended 2007 Plan with terms and conditions as determined by our Board, including, without limitation, shares based upon certain conditions, securities convertible into our common stock, stock appreciation rights, phantom stock awards or other stock units. Any stock appreciation rights will have an exercise price not less than 100% of the fair market value of our common stock on the date of grant and will have a maximum term of ten years from the date of grant.

Transferability and Restrictions. Awards are generally not transferable other than by will or the laws of descent and distribution unless our Board determines or provides otherwise. Only the participant may exercise a stock option, with limited exceptions. Awards may not be transferred for consideration.

Acquisition of the Company. Unless otherwise expressly provided in the applicable award, upon the occurrence of an acquisition (as defined in the Amended 2007 Plan and described below), our Board or the board of directors of the surviving or acquiring entity will, as to outstanding awards, make appropriate provision for the continuation of such awards by the Company or the assumption of such awards by the surviving or acquiring entity and by substituting on an equitable basis for the shares then subject to such awards either (i) the consideration payable with respect to the outstanding shares of our common stock in connection with the acquisition, (ii) shares of stock of the surviving or acquiring entity or (iii) such other securities as the Board deems appropriate, the fair market value of which will not materially differ from the fair market value of the shares of our common stock subject to such awards immediately preceding the acquisition. In addition to or in lieu of the foregoing, with respect to outstanding stock options, the Board may, upon written notice to the affected optionees, (a) provide that one or more stock options must be exercised, to the extent then exercisable or to become exercisable as a result of the acquisition, within a specified number of days of the date of such notice, at the end of which period such stock options will terminate or (b) terminate one or more stock options in exchange for a cash payment equal to the excess of the fair market value of the shares subject to such stock options (to the extent then exercisable or to become exercisable as a result of the acquisition) over the exercise price of such stock options.

For purposes of the Amended 2007 Plan, an acquisition generally will be deemed to occur upon the consummation of any of the following events: (i) any merger or consolidation after which the voting securities of the Company outstanding immediately prior to such event represent (either by remaining outstanding or by being converted into voting securities of the surviving or acquiring entity) less than 50% of the combined voting power of the voting securities of the Company or such surviving or acquiring entity outstanding immediately after such event; (ii) any sale of all or substantially all of the assets or capital stock of the Company (other than in a spin-off or similar transaction); or (iii) any other acquisition of the business of the Company, as determined by our Board, *provided, however*, that no acquisition (or any analogous term) will be deemed to occur upon announcement or commencement of a tender offer or upon a "potential" takeover or upon stockholder approval of a merger or other transaction, in each case without a requirement that the acquisition actually occur.

Amendments, Termination and Term. Subject to the terms of the Amended 2007 Plan, our Board may amend, modify or terminate any outstanding award granted under the Amended 2007 Plan, provided that the participant's consent to such action will be required unless our Board determines that such action would not materially and adversely affect the participant.

Our Board may also amend, suspend or terminate the Amended 2007 Plan at any time; *provided, however*, that without approval of our stockholders there will be no (i) increase in the total number of shares covered by the Amended 2007 Plan (except upon adjustment for certain changes in our capitalization) or the aggregate number of shares that may be issued to any single person in a period, (ii) change in the class of persons eligible to receive awards under the Amended 2007 Plan, or (iii) other change in the Amended 2007 Plan that requires stockholder approval under applicable law or stock exchange rules.

No awards may be granted under the Amended 2007 Plan after July 5, 2025, but awards previously granted may extend beyond that date.

U.S. Federal Income Tax Consequences

The following is a summary of the principal United States federal income tax consequences to participants and us with respect to participation in the Amended 2007 Plan. This summary is not intended to be exhaustive and does not discuss the income tax laws of any local, state or foreign jurisdiction in which a participant may reside. The information is based upon current federal income tax rules and therefore is subject to change when those rules change. Because the tax consequences to any participant may depend on his or her particular situation, each participant should consult the participant's tax adviser regarding the federal, state, local and other tax consequences of the grant or exercise of an award or the disposition of stock acquired the Amended 2007 Plan. The Amended 2007 Plan is not qualified under the provisions of Section 401(a) of the Code and is not subject to any of the provisions of the Employee Retirement Income Security Act of 1974. Our ability to realize the benefit of any tax deductions described below depends on our generation of taxable income as well as the requirement of reasonableness, the provisions of Section 162(m) of the Code and the satisfaction of our tax reporting obligations.

Nonqualified Stock Options

Generally, there is no taxation upon the grant of a nonqualified stock option if the stock option is granted with an exercise price equal to the fair market value of the underlying stock on the grant date. Upon exercise, a participant will recognize ordinary income equal to the excess, if any, of the fair market value of the underlying stock on the date of exercise of the stock option over the exercise price. If the participant is employed by us or one of our affiliates, that income will be subject to withholding taxes. The participant's tax basis in those shares will be equal to their fair market value on the date of exercise of the stock option, and the participant's capital gain holding period for those shares will begin on that date.

Subject to the requirement of reasonableness, the provisions of Section 162(m) of the Code and the satisfaction of a tax reporting obligation, we will generally be entitled to a tax deduction equal to the taxable ordinary income realized by the participant.

Incentive Stock Options

The Amended 2007 Plan provides for the grant of stock options that are intended to qualify as "incentive stock options," as defined in Section 422 of the Code. Under the Code, a participant generally is not subject to ordinary income tax upon the grant or exercise of an ISO. If the participant holds a share received upon exercise of an ISO for more than two years from the date the stock option was granted and more than one year from the date the stock option was exercised, which is referred to as the required holding period, the difference, if any, between the amount realized on a sale or other taxable disposition of that share and the participant's tax basis in that share will be long-term capital gain or loss.

If, however, a participant disposes of a share acquired upon exercise of an ISO before the end of the required holding period, which is referred to as a disqualifying disposition, the participant generally will recognize ordinary income in the year of the disqualifying disposition equal to the excess, if any, of the fair market value of the share on the date of exercise of the stock option over the exercise price. However, if the sales proceeds are less than the fair market value of the share on the date of exercise of the stock option, the amount of ordinary income recognized by the participant will not exceed the gain, if any, realized on the sale. If the amount realized on a disqualifying disposition exceeds the fair market value of the share on the date of exercise of the stock option, that excess will be short-term or long-term capital gain, depending on whether the holding period for the share exceeds one year.

For purposes of the alternative minimum tax, the amount by which the fair market value of a share of stock acquired upon exercise of an ISO exceeds the exercise price of the stock option generally will be an adjustment included in the participant's alternative minimum taxable income for the year in which the stock option is exercised. If, however, there is a disqualifying disposition of the share in the year in which the stock option is exercised, there will be no adjustment for alternative minimum tax purposes with respect to that share. In computing alternative minimum taxable income, the tax basis of a share acquired upon exercise of an ISO is increased by the amount of the adjustment taken into account with respect to that share for alternative minimum tax purposes in the year the stock option is exercised.

We are not allowed a tax deduction with respect to the grant or exercise of an ISO or the disposition of a share acquired upon exercise of an ISO after the required holding period. If there is a disqualifying disposition of a share, however, we will generally be entitled to a tax deduction equal to the taxable ordinary income realized by the participant, subject to the requirement of reasonableness and the provisions of Section 162(m) of the Code, and provided that either the employee includes that amount in income or we timely satisfy our reporting requirements with respect to that amount.

Restricted Stock Awards

Generally, the recipient of a restricted stock award will recognize ordinary income at the time the stock is received equal to the excess, if any, of the fair market value of the stock received over any amount paid by the recipient in exchange for the stock. If, however, the stock is not vested when it is received (for example, if the employee is required to work for a period of time in order to have the right to sell the stock), the recipient generally will not recognize income until the stock becomes vested, at which time the recipient will recognize ordinary income equal to the excess, if any, of the fair market value of the stock on the date it becomes vested over any amount paid by the recipient in exchange for the stock. A recipient may, however, file an election with the Internal Revenue Service, within 30 days following his or her receipt of the restricted stock award, to recognize ordinary income, as of the date the recipient receives the award, equal to the excess, if any, of the fair market value of the stock on the date the award is granted over any amount paid by the recipient for the stock.

The recipient's basis for the determination of gain or loss upon the subsequent disposition of shares acquired from a restricted stock award will be the amount paid for such shares plus any ordinary income recognized either when the stock is received or when the stock becomes vested.

Subject to the requirement of reasonableness, the provisions of Section 162(m) of the Code and the satisfaction of a tax reporting obligation, we will generally be entitled to a tax deduction equal to the taxable ordinary income realized by the recipient of the restricted stock award.

Restricted Stock Unit Awards

Generally, the recipient of a restricted stock unit award structured to comply with the requirements of Section 409A of the Code or an exception to Section 409A of the Code will recognize ordinary income at the time the stock is delivered equal to the excess, if any, of the fair market value of the stock received over any amount paid by the recipient in exchange for the stock. To comply with the requirements of Section 409A of the Code, the stock subject to a restricted stock unit award may generally only be delivered upon one of the following events: a fixed calendar date (or dates), separation from service, death, disability or a change in control. If delivery occurs on another date, unless the restricted stock unit award otherwise complies with or qualifies for an exception to the requirements of Section 409A of the Code, in addition to the tax treatment described above, the recipient will owe an additional 20% federal tax and interest on any taxes owed.

The recipient's basis for the determination of gain or loss upon the subsequent disposition of shares acquired from a restricted stock unit award will be the amount paid for such shares plus any ordinary income recognized when the stock is delivered.

Subject to the requirement of reasonableness, the provisions of Section 162(m) of the Code and the satisfaction of a tax reporting obligation, we will generally be entitled to a tax deduction equal to the taxable ordinary income realized by the recipient of the restricted stock unit award.

Stock Appreciation Rights

Generally, if a stock appreciation right is granted with an exercise price equal to the fair market value of the underlying stock on the grant date, the recipient will recognize ordinary income equal to the fair market value of the stock or cash received upon such exercise. Subject to the requirement of reasonableness, the provisions of Section 162(m) of the Code, and the satisfaction of a tax reporting obligation, we will generally be entitled to a tax deduction equal to the taxable ordinary income realized by the recipient of the stock appreciation right.

New Plan Benefits

The following table is provided in accordance with Securities and Exchange Commission rules regarding compensation plans subject to stockholder approval and sets forth certain information regarding benefits or amounts that will be received by or allocated to certain individuals under the Amended 2007 Plan.

Amended 2007 Plan

Name and Position	Dollar Value	Number of Shares
Anil K. Singhal Chairman, Chief Executive Officer and President	(1)	(1)
Michael Szabados Chief Operating Officer	(1)	(1)
Jean Bua Senior Vice President, Chief Financial Officer and Treasurer	(1)	(1)
John W. Downing Senior Vice President, Worldwide Sales Operations	(1)	(1)
All current executive officers as a group	(1)	(1)
All current directors who are not executive officers as a group	$676,500 per fiscal year	(2)
All employees, including all current officers who are not executive officers, as a group	(1)	(1)

(1) Awards granted under the Amended 2007 Plan to our executive officers and other employees are discretionary and are not subject to set benefits or amounts under the terms of the Amended 2007 Plan, and our Board and Compensation Committee have not granted any awards under the Amended 2007 Plan subject to stockholder approval of this Proposal 2. Accordingly, the benefits or amounts that will be received by or allocated to our executive officers and other employees under the Amended 2007 Plan are not determinable.

(2) Awards granted under the Amended 2007 Plan to our non-employee directors are discretionary and are not subject to set benefits or amounts under the terms of the Amended 2007 Plan. However, pursuant to our current compensation arrangements for non-employee directors, (i) the lead non-employee director is eligible to receive a restricted stock unit award with a value of $132,000, (ii) each non-employee director who is a chairperson of a Board committee (other than the lead non-employee director) is eligible to receive a restricted stock unit award with a value of $99,000, and (iii) each other non-employee director is eligible to receive a restricted stock unit award with a value of $82,500. Effective as of the date of the Annual Meeting, any such awards will be granted under the Amended 2007 Plan if this Proposal 2 is approved by our stockholders. For additional information regarding our current compensation arrangements for non-employee directors, please see the information following the Director Compensation Table for Fiscal Year 2015 in “Compensation and Other Information Concerning Directors and Executive Officers” below.

Plan Benefits

The following table is provided in accordance with Securities and Exchange Commission rules regarding compensation plans subject to stockholder approval and sets forth, for each of the individuals and groups indicated, the total number of shares of our common stock subject to awards that have been granted (even if not currently outstanding) under the 2007 Plan through July 24, 2015.

2007 Plan

Name and Position	Number of Shares
Anil K. Singhal Chairman, Chief Executive Officer and President	256,320
Michael Szabados Chief Operating Officer	268,049
Jean Bua Senior Vice President, Chief Financial Officer and Treasurer	86,267
John W. Downing Senior Vice President, Worldwide Sales Operations	175,073
All current executive officers as a group	785,709
All current directors who are not executive officers as a group	148,001
Each nominee for election as a director:	
Victor A. DeMarines	33,347
Vincent J. Mullarkey	33,347
James A. Lico	413
Each associate of any executive officers, current directors or director nominees	0
Each other person who received or is to receive 5% of awards	0
All employees, including all current officers who are not executive officers, as a group	5,681,184

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE APPROVAL OF THE AMENDMENT AND RESTATEMENT OF THE 2007 PLAN.

PROPOSAL 3
RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of the Board has selected PricewaterhouseCoopers LLP to serve as our independent registered public accounting firm for the fiscal year ending March 31, 2016. PricewaterhouseCoopers LLP has served as our auditors since 1993. We expect that a member of PricewaterhouseCoopers LLP will attend the Annual Meeting, will have an opportunity to make a statement if so desired, and will be available to respond to appropriate questions from our stockholders. We are incorporated in Delaware, and Delaware law does not require the ratification of the Audit Committee's selection, but the Audit Committee will consider the results of this vote when selecting auditors in the future.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE RATIFICATION OF PRICEWATERHOUSECOOPERS LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.

PROPOSAL 4
ADVISORY VOTE ON EXECUTIVE COMPENSATION

At our 2011 Annual Meeting of Stockholders, our stockholders indicated their preference that the Company solicit a non-binding advisory vote on the compensation of the Company's Named Executive Officers, commonly referred to as a "say-on-pay vote," every year. The Board has adopted a policy to hold annual "say-on-pay" votes that is consistent with that preference. Therefore the Company is asking stockholders to approve, on an advisory basis, the compensation of the Company's Named Executive Officers as disclosed in this proxy statement in accordance with SEC rules. This vote is not intended to address any specific item of compensation but rather the overall compensation of the Company's Named Executive Officers and the philosophy, policies, and practices described in this proxy statement. At the 2014 Annual Meeting of Stockholders held on September 9, 2014 (the "2014 Annual Meeting"), stockholders approved the Company's say-on-pay proposal with 95% of the total votes cast voting in favor.

The goal of the Company's executive officer compensation program is to retain and reward highly qualified, talented leaders who create long term stockholder value. The program is designed to align management's interest with that of stockholders and motivate senior executives to increase our long-term growth and profitability while reducing risks that could result from compensation decisions.

As described more fully below under "Compensation Discussion and Analysis," NetScout completed its fiscal year 2015 with strong 14% total revenue growth and stellar 33% EPS growth, with notable innovations, successful expansion of customer relationships worldwide, and the Company's third consecutive year of solid non-GAAP revenue growth with even stronger profitability growth. During the year, the Company set the stage for accelerating its ability to fully execute its strategy and better capitalize on a range of attractive growth opportunities worldwide through its efforts and its plan to acquire the Danaher Communications Business.

As described in this proxy statement, the Compensation Committee weighs the appropriate mix of compensation elements, including the allocation between cash and equity, for each executive officer to help achieve those objectives. The Company's Compensation Discussion and Analysis, or CD&A, contained in this proxy statement describes the Company's executive compensation program and the decisions made by the Compensation Committee in detail.

Accordingly, the Board is asking our stockholders to indicate their support for the compensation of the Company's Named Executive Officers as described in this proxy statement by casting a non-binding advisory vote "FOR" the following resolution:

RESOLVED, that the compensation paid to the Company's Named Executive Officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables, and narrative discussion is hereby APPROVED.

As an advisory vote, this proposal is not binding on the Board. Nevertheless, the views expressed by the stockholders, whether through this vote or otherwise, are important to management and the Board, and, accordingly, the Board and the Compensation Committee intend to consider the results of this vote in making determinations in the future regarding executive compensation arrangements.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE ADVISORY APPROVAL OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS.

DIRECTORS AND EXECUTIVE OFFICERS

Name	Age	Positions
Anil K. Singhal	61	Chairman, President, Chief Executive Officer, and Director
Michael Szabados	63	Chief Operating Officer
John W. Downing	57	Senior Vice President, Worldwide Sales Operations
Jean Bua	57	Senior Vice President, Chief Financial Officer, and Treasurer
Victor A. DeMarines	78	Director
Robert E. Donahue	67	Director
John R. Egan	57	Director
Joseph G. Hadzima, Jr.	63	Director
Vincent J. Mullarkey	67	Director
Christopher Perretta	57	Director
James A. Lico	49	Director

Executive Officers

Anil Singhal co-founded the Company in June 1984 and has served as NetScout's Chief Executive Officer and as a director on NetScout's Board since inception. In January 2007, Mr. Singhal was appointed Chairman of the Board, and has been serving as NetScout's President, CEO and Chairman since that time. In his current role, Mr. Singhal is focused on providing strategic leadership and vision, as well as setting operational priorities for NetScout's management team. Mr. Singhal's vision of "traffic-based instrumentation" has guided NetScout's product direction and focus for the past three decades, helping to shape the evolution for the industry in the process. Under Mr. Singhal's leadership, NetScout has grown substantially during the past three decades, completing its initial public offering in 1999 and exceeding $450 million in revenue in fiscal year 2015, and more recently concluding the $2.3 billion acquisition of the Danaher Communications Business, resulting in a combined company revenue of about $1.2 billion. He is credited with numerous innovations in the field of network traffic monitoring and analysis that have helped NetScout gain several of industry accolades. During the past decade, Mr. Singhal has also been an instrumental part of a number of strategic acquisitions that have fortified and enhanced NetScout's technology, customer base and go-to-market capabilities. Mr. Singhal has earned notable recognition for his entrepreneurial success, including the TiE (The Indus Entrepreneur) Boston Lifetime Achievement in 2013, Enterprise Bank's 2013 George L. Duncan Award of Excellence and Ernst & Young's New England Entrepreneur of the Year in 1997. Mr. Singhal holds a BSEE from BITS, Pilani, India and an MS in Computer Science from the University of Illinois, Urbana-Champaign.

Michael Szabados has served as NetScout's Chief Operating Officer since April 2007. In this role, Mr. Szabados is focused on executing NetScout's vision and strategy. During his tenure, he has been critical in helping lead NetScout's key functional areas as NetScout more than doubled in size. Mr. Szabados has also helped lead the integration of Network General and five other companies that NetScout has acquired. His career at NetScout began in 1997 when he joined the Company as vice president, marketing, charged with increasing the Company's overall visibility and market awareness. His responsibilities expanded in 2001 to encompass product development, manufacturing and customer support when he was promoted to Senior Vice President, Product Operations. A veteran of the enterprise networking industry, Mr. Szabados held senior leadership roles with companies including UB Networks, SynOptics/Bay Networks and MIPS Corporation following engineering and product management roles at Intel Corporation and later at Apple. Mr. Szabados holds a BSEE from UC Irvine and an MBA from UC Santa Clara.

Jean Bua has served as NetScout's Chief Financial Officer and Treasurer since November 2011. She joined the Company in September 2010 as Vice President, Finance, in conjunction with the Company's succession planning. In her current role, Ms. Bua is responsible for investor relations, treasury, financial planning and analysis, real estate development, accounting and compliance. Ms. Bua has played a key role in executing on the financial aspects of NetScout's strategy. During her tenure, NetScout has successfully completed and integrated five acquisitions before the most recent $2.3 billion acquisition of the Danaher Communications Business. Before joining NetScout, Ms. Bua served as Executive Vice President, Finance & Treasurer of American Tower Corporation, a leading provider of infrastructure for the wireless telecommunications industry. While at American Tower, she was a critical contributor to multiple equity and debt financings, and numerous acquisitions that enabled the company to more than double in revenue through both acquisition and organic growth. Prior to American Tower, Ms. Bua spent nine years at Iron Mountain, Inc., concluding as Senior Vice President, Chief Accounting Officer and Worldwide Controller. During her tenure, Iron Mountain successfully consolidated the records management industry and grew from annual revenue of $100 million to over $2 billion through more than 100 domestic and international acquisitions. Previously, she held senior positions at Duracraft Corp. and Keithley Instruments. She was a management consultant at Ernst & Young and an auditor at KPMG. Ms. Bua earned her Bachelor of Science in Business Administration, summa cum laude, from Bryant College and her Masters of Business Administration from the University of Rhode Island.

John W. Downing has served as NetScout's Senior Vice President, Worldwide Sales Operations, since 2007. In this role, Mr. Downing is responsible for directing NetScout's sales leadership in both the service provider and enterprise markets. Under Mr. Downing's direction, NetScout has reported strong revenue growth and built vibrant, long-term relationships with leading telecommunications service providers, government agencies and many of the world's largest corporations. He joined NetScout in 2000 as Vice President, Sales Operations, instituting and refining key go-to-market programs and sales processes that have underpinned the Company's four-fold revenue growth during the past fourteen years. Prior to NetScout, from April 1998 until September 2000, Mr. Downing served as Vice President of Sales at Genrad Corporation, a $300 million manufacturer of electronic testing equipment and production solutions, and was Vice President of North American Sales from January 1996 until March 1998. Mr. Downing earned a Bachelor of Science in Engineering (BSE) in Computer Science and Applied Mathematics from Tufts University and a Master's in Business Administration from Suffolk University.

Directors

Victor A. DeMarines has been a NetScout director since June 2004. Mr. DeMarines was the President and Chief Executive Officer of MITRE from 1994 until his retirement in 2000. He continued to serve as a member of the Board of Trustees and as Chairman of the Technology Committee of MITRE until his retirement from the Board in 2010. He continues his relationship as a consultant to MITRE Corporation on its Department of Defense, Homeland Security, and cyber activity initiatives. Since February 2013, he has served as the Chairman of the Board of Directors of Verint Systems Inc., a publicly-held provider of systems to the internet security marketplace. He has been a member of the Board of Directors of Verint Systems since 2002 and is also currently a member of its Corporate Governance and Nominating Committee and its Audit Committee. The Company's Nominating and Corporate Governance Committee believes that Mr. DeMarines' experience as Chief Executive Officer of MITRE, together with his service on another public company board provide deep federal government sector and global business experience to the Company and qualify him to serve as a director of the Company.

Robert E. Donahue has been a NetScout director since March 2013. He served on the board of directors of Sycamore Networks, Inc., an intelligent optical networking and multiservice access provider, from July 2007 until October 2014. Mr. Donahue served on the board of directors of Cybersource Corporation, a leading provider of electronic payment and risk management solutions, from November 2007 to August 2010. From August 2004 to November 2007, Mr. Donahue served as the President and Chief Executive Officer of Authorize.Net Holdings, Inc. (formerly Lightbridge Inc.), a leading transaction processing company, before it was acquired by Cybersource Corporation in November 2007. Mr. Donahue also served as a member of Authorize.Net's board of directors from January 2004 until November 2007. The Company's Nominating and Corporate Governance Committee believes that Mr. Donahue's industry knowledge together with his service on other public company boards provide deep experience to the Company and qualify him to serve as a director of the Company.

John R. Egan has been a NetScout director since October 2000 and serves as NetScout's Lead Independent Director. Mr. Egan is a founding managing partner of Egan-Managed Capital, L.P., a Boston-based venture capital fund specializing in New England, information technology, and early-stage investments, which began in the fall of 1996, and is a managing partner of Carruth Associates. Since 1992, he has been a member of the Board of Directors and is currently the Chairman of the Mergers and Acquisitions Committee and member of the Finance Committee at EMC Corporation, a publicly-held provider of computer storage systems and software. Since 2007, Mr. Egan has served as a member of the Board of Directors and is currently the Chairman of the Mergers and Acquisitions Committee at VMWare, a publicly-held leader in virtualization and cloud infrastructure. Since 2011, Mr. Egan has served as a member of the Board of Directors and currently serves as Non-Executive Chairman of the Board of Directors and serves on the Compensation Committee and Nominating and Corporate Governance Committee at Progress Software Corp., a global software company. Since 2012, Mr. Egan has served as a member of the Board of Directors of Verint Systems, Inc., a publicly-held provider of systems to the internet security market, where he is currently the Chairman of the Corporate Governance and Nominating Committee and a member of the Compensation Committee. Mr. Egan also serves on the Board of Trustees at Boston College and as a director for two other privately held companies. The Company's Nominating and Corporate Governance Committee believes that Mr. Egan's extensive understanding and involvement in the information technology industry together with his executive leadership roles and his service on other public company boards provide deep experience to the Company and qualify him to serve as a director of the Company.

Joseph G. Hadzima, Jr. has been a NetScout director since July 1998. Mr. Hadzima has been a Managing Director of Main Street Partners, LLC, a venture capital investing and technology commercialization company, since April 1998. Since 2000, he has also been President of IPVision, Inc., a Main Street Partners portfolio company that provides intellectual property analysis systems and services. Mr. Hadzima is also a Senior Lecturer at MIT Sloan School of Management, of counsel at a law firm, and serves as a director on two private company boards. The Company's Nominating and Corporate Governance Committee believes that Mr. Hadzima's experience with emerging technology companies, his prior legal experience, and his service on other boards provide the Company with valuable business perspective and insight into emerging technologies that may affect the business and strategies of the Company and qualify him to serve as a director of the Company.

Vincent J. Mullarkey has been a NetScout director since November 2000. From May 2005 to June 2007, he was a member of the Board of Directors and the Chairman of the Audit Committee of webMethods, Inc., a then publicly-held business process integration software company that was acquired by Software AG in June 2007. Mr. Mullarkey was the Senior Vice President, Finance and Chief Financial Officer of Digital Equipment Corporation from 1994 until his retirement in September 1998. The Company's Nominating and Corporate Governance Committee believes that Mr. Mullarkey's board and audit committee experience in other public companies coupled with his financial experience in the technology arena provide the Company with essential business and financial expertise and qualify him to serve as a director of the Company.

Christopher Perretta has been a NetScout director since September 2014. Mr. Perretta has served as Executive Vice President and Chief Information Officer at State Street Corporation since September 2007 and as a member of State Street Corporation's Management Committee since February 2013. From December 1996 to September 2007, Mr. Perretta served in various roles at General Electric Corporation, including as Chief Information Officer for the North American Consumer Financial Services unit, Chief Technology Officer for General Electric Capital, and most recently, from January 2003 to September 2007, as Chief Information Officer of General Electric Commercial Finance. Mr. Perretta also serves as a member of the board of directors of a privately-held technology company and the Advanced Cyber Security Center. The Company's Nominating and Corporate Governance Committee believes that Mr. Perretta's experience with various Fortune 500 companies and his service on other boards provide the Company with valuable business perspective and insight into global issues that may affect the business and strategies of the Company and qualify him to serve as a director of the Company.

James A. Lico was appointed to NetScout's Board of Directors in July 2015 following the completion of the Company's acquisition of the Danaher Communications Business. Mr. Lico has served as Danaher's executive vice president with responsibility for its Test & Measurement segment and Gilbarco Veeder-Root business since

2005. Mr. Lico was recently named chief executive officer of Danaher's diversified industrials business that is expected to be spun off by Danaher by the end of 2016. He joined Danaher in 1996 as Vice President, Operations of Veeder-Root and was subsequently appointed to senior leadership positions within Danaher until his appointment as Executive Vice President. Prior to Danaher, Mr. Lico held increasing responsible positions in manufacturing with both General Motors Corporation and AlliedSignal, Inc. The Company's Nominating and Corporate Governance Committee believes that Mr. Lico's experience in the technology industry, including his responsibility for the Danaher Communications Business, provides the Company with valuable insight into the Company following the acquisition and qualifies him to serve as a director of the Company.

There are no family relationships among any of our executive officers and directors.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information regarding beneficial ownership of our common stock as of the Record Date by each beneficial owner of more than 5% of our common stock, each Named Executive Officer named in the Summary Compensation Table, each director and nominee for director, and all executive officers and directors as a group.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned(1)	Percentage of Class Beneficially Owned
Anil K. Singhal(2)	2,280,751	2.2%
Michael Szabados(3)	64,074	*
Jean Bua(4)	31,283	*
John W. Downing(5)	101,468	*
Victor A. DeMarines(6)	31,019	*
Robert E. Donahue(7)	6,406	*
John R. Egan(8)	68,613	*
Joseph G. Hadzima, Jr.(9)	108,708	*
James A. Lico(10)	5,407	*
Vincent J. Mullarkey(11)	63,019	*
Christopher Perretta(12)	2,200	*
Brown Capital Management, LLC(13) 1201 N. Calvert Street Baltimore, Maryland 21202	5,556,329	5.4%
All executive officers and directors as a group (11 persons)(14)	2,762,948	2.7%

* Represents less than one percent of class.

(1) Under applicable SEC rules and regulations, a person is considered to beneficially own our common stock if such person either has the sole or shared power with any other person to either vote or dispose of such common stock. As a result, more than one person may be reported as the beneficial owner of any particular share of our common stock. Beneficial ownership is determined in accordance with the rules of the SEC. Shares of common stock issuable by the Company to a person or entity named below pursuant to options which may be exercised within 60 days of the Record Date or restricted stock units which may vest within 60 days of the Record Date are deemed to be beneficially owned and outstanding for purposes of calculating the number of shares and the percentage beneficially owned by that person or entity. However, these shares are not deemed to be beneficially owned and outstanding for purposes of computing the percentage beneficially owned by any other person or entity. Unless otherwise noted, the address of each person listed on the table is c/o NetScout Systems, Inc., 310 Littleton Road, Westford, MA 01886, and each person has either sole or shared voting or dispositive power over the shares shown below as beneficially owned by such person.

(2) Includes 32,525 shares issuable upon the vesting of restricted stock units within 60 days of the Record Date. As of the Record Date, Mr. Singhal's spouse did not beneficially own at least five percent of the Company's outstanding common stock, and therefore the 1,081,201 shares held by trusts of which Mr. Singhal's spouse is deemed the beneficial owner are reported herein by Mr. Singhal. This amount does not include an aggregate of 1,078,822 shares held in trusts for the benefit of Mr. Singhal's children for which neither Mr. Singhal nor his spouse is a trustee, and 58,961 shares held in a trust for the benefit of Mr. Singhal's nieces and nephews for which neither Mr. Singhal nor his spouse is a trustee.

(3) Includes 20,858 shares issuable upon the vesting of restricted stock units within 60 days of the Record Date.

(4) Includes 9,075 shares issuable upon the vesting of restricted stock units within 60 days of the Record Date.

(5) Includes 11,468 shares issuable upon the vesting of restricted stock units within 60 days of the Record Date.

(6) Includes 2,640 shares issuable upon the vesting of restricted stock units within 60 days of the Record Date.
(7) Includes 2,200 shares issuable upon the vesting of restricted stock units within 60 days of the Record Date.
(8) Includes 3,520 shares issuable upon the vesting of restricted stock units within 60 days of the Record Date.
(9) Includes 2,640 shares issuable upon the vesting of restricted stock units within 60 days of the Record Date.
(10) Includes 413 shares issuable upon the vesting of restricted stock units within 60 days of the Record Date.
(11) Includes 2,640 shares issuable upon the vesting of restricted stock units within 60 days of the Record Date.
(12) Includes 2,200 shares issuable upon the vesting of restricted stock units within 60 days of the Record Date.
(13) Based solely on a Schedule 13G/A filed with the SEC on February 5, 2015. Brown Capital Management, LLC has the sole power to vote 3,225,387 shares and sole dispositive power of 5,556,329 shares. Includes 2,779,100 shares beneficially owned by The Brown Capital Management Small Company Fund, a registered investment company, which is managed by Brown Capital Management, LLC.
(14) Includes an aggregate of 90,179 shares issuable upon the vesting of restricted stock units within 60 days of the Record Date.

CORPORATE GOVERNANCE

Board Leadership Structure

The Board is currently chaired by the President and Chief Executive Officer of the Company, Mr. Singhal. The Board believes combining the position of Chief Executive Officer and Chairman is in the best interest of the Company and its stockholders. As one of the co-founders of the Company, Mr. Singhal provides extensive technology vision and leadership; historical knowledge of the Company, its customers, and solutions; and a deep understanding of the opportunities and challenges facing the Company today. Those attributes, together with his combined role, place him in the best position to ensure that the Board and management act with a common purpose to execute the Company's strategic initiatives and business plans. To reinforce director independence and provide for leadership separate from the Chairman, the Company's Board appointed Mr. Egan as Lead Independent Director.

Director Independence

Our Board has determined that each of Messrs. DeMarines, Donahue, Egan, Hadzima, Mullarkey and Perretta is independent within the meaning of the director independence standards of The NASDAQ Stock Market LLC, or NASDAQ, and the SEC. Furthermore, our Board has determined that each member of our Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee of our Board is independent within the meaning of the Company's, NASDAQ's, and the SEC's independence standards, as applicable.

Executive Sessions of Independent Directors

Our Board holds executive sessions of the independent members of our Board following each regularly scheduled in-person meeting of our Board. The Lead Independent Director, currently Mr. Egan, chairs the executive sessions.

Policies Governing Director Nominations

Director Qualifications

Our Nominating and Corporate Governance Committee is responsible for reviewing with our Board the appropriate qualities, skills, and characteristics desired of Board members in the context of the needs of the business and current make-up of our Board. This assessment includes consideration of the following minimum qualifications that our Nominating and Corporate Governance Committee believes must be met by all directors:

- Directors must be individuals of the highest ethical character and integrity and share our values as reflected in our Code of Business Conduct;
- Directors must have reputations, both personal and professional, consistent with our image and reputation;
- Directors must be free of conflicts of interest that would interfere with the proper performance of the responsibilities of a director;
- Directors must have the ability to exercise sound business judgment;
- Directors must be willing and able to devote sufficient time to the affairs of the Company and be diligent in fulfilling the responsibilities of a director and/or committee member, as the case may be;
- Directors must have substantial business or professional experience and expertise and be able to offer meaningful and practical advice and guidance to our management based on that experience and expertise; and
- Directors must have a commitment to enhancing stockholder value.

The Nominating and Corporate Governance Committee also considers numerous other qualities, skills, and characteristics when evaluating director nominees, such as:

- An understanding of and experience in the network application/performance management solutions market, the market for networking solutions generally and related accounting, legal, finance, product, sales and/or marketing matters;
- Experience on other public or private company boards, unless a director otherwise provides complementary capabilities or qualifies as an "audit committee financial expert" under the rules of the SEC;
- Leadership experience with public companies or other major organizations; and
- Diversity of the Board, taking into account the business and professional experience, educational background, reputation, industry expertise across various market segments and technologies relevant to our business, as well as other relevant attributes of the candidates.

Board members are expected to prepare for, attend, and participate in Board meetings and meetings of committees on which they serve. In addition, directors must stay abreast of our business and markets.

Process for Identifying and Evaluating Director Nominees

The Board is responsible for nominating persons for election as directors of the Company. Our Board delegates the initial selection process to our Nominating Committee, with the expectation that other members of our Board, and of management, will take part in the process as appropriate.

Generally, the Nominating and Corporate Governance Committee identifies candidates for director nominees in consultation with management, through the use of search firms or other advisers, or through such other methods as our Nominating and Corporate Governance Committee deems to be helpful to identify candidates. Once candidates have been identified, our Nominating and Corporate Governance Committee confirms that the candidates meet all of the minimum qualifications for director nominees established by the Nominating and Corporate Governance Committee and set forth in the Corporate Governance Guidelines. The Nominating and Corporate Governance Committee may gather information about the candidates through interviews, questionnaires, background checks, or any other means that the Nominating and Corporate Governance Committee deems to be helpful in the evaluation process. The Nominating and Corporate Governance Committee then meets to discuss and evaluate the qualities and skills of each candidate in light of the criteria set forth above or established by the Nominating and Corporate Governance Committee from time to time, both on an individual basis and taking into account the overall composition and needs of our Board. Based on the results of the evaluation process, the Nominating and Corporate Governance Committee recommends candidates for our Board's approval as director nominees for election to the Board. The Nominating and Corporate Governance Committee also recommends candidates for the Board's appointment to the committees of our Board.

Stockholder Recommendations For Nominees As Directors and the Proposal of Other Business

Our Nominating and Corporate Governance Committee will consider recommendations for candidates for nominees as directors and proposals for business other than director nominations that are properly submitted by stockholders. Any recommendation of a nominee for the Board or any proposal for business other than director nominations by our stockholders with respect to our Annual Meeting of Stockholders for the fiscal year ended March 31, 2016, or the 2016 Annual Meeting, must be submitted in writing to our principal executive offices at 310 Littleton Road, Westford, Massachusetts 01886, attention: Secretary, and must be received by us and comply with the requirements set forth in the Company's by-laws.

Any communication with respect to nominees as directors should (i) describe why the candidate meets the Board's criteria described above; (ii) include the candidate's and recommender's names and addresses and provide biographical information about the recommended candidate that would be required to be disclosed in solicitations of proxies for election of directors; (iii) include the proposed nominee's written consent to serve as a nominee, if nominated, and as a director, if elected; and (iv) contain any additional information otherwise required by Regulation 14A under the Exchange Act.

Any communication with respect to the proposal of business other than director nominations should include, among other matters required by our by-laws, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder or any stockholder associated person (as defined in our by-laws), if any, on whose behalf the proposal is made.

The requirements for stockholder director nominations and proposals other than director nominations appear in our by-laws. Only such individuals who are nominated in accordance with the procedures described above and in our by-laws will be eligible for election by stockholders as directors and only such business brought before the meeting in accordance with the procedures set forth above and in our by-laws will be conducted at a meeting of stockholders. We have not received any stockholder recommendations or nominations with respect to our Annual Meeting.

To be considered for inclusion in next year's proxy materials, your proposal must be submitted in writing to our principal executive offices at 310 Littleton Road, Westford, Massachusetts 01886, attention: Secretary, and must be received by us no later than March 30, 2016. Proposals must satisfy the procedures set forth in Rule 14a-8 under the Exchange Act. If you wish to submit a proposal for the 2016 Annual Meeting but not have it included in next year's proxy materials for such meeting or wish to nominate a director, you must submit such proposal or nomination in writing to our principal executive offices at the address noted above, which must be received by us no earlier than the close of business of May 25, 2016 and no later than the close of business of June 24, 2016 and must satisfy the requirements described above and in our by-laws. In order to curtail controversy as to the date on which a proposal was received by us, we suggest that you submit your proposals by registered mail, return receipt requested.

Policy Governing Security Holder Communications with the Board of Directors

The Board provides to every stockholder the ability to communicate with the Board as a whole and with individual directors through an established process for security holder communication (as that term is defined by the rules of the SEC) as follows:

For communications directed to the Board as a whole or to a specific member of the Board, stockholders may send such communications to the attention of the Chairman of the Board with respect to general communications or to the attention of the specific director, in each case, by one of the three methods listed below:

By U.S. mail (including courier or other expedited delivery service): NetScout Systems, Inc., 310 Littleton Road, Westford, MA 01886 Attn: [Chairman of the Board]/[Individual Director], c/o Investor Relations

By facsimile: (978) 614-4004, Attn: [Chairman of the Board]/[Individual Director], c/o Investor Relations

By email: ir@netscout.com

We will forward any such stockholder communications to the Chairman of our Board, as a representative of our Board, and/or to the director to whom the communication is addressed.

Policy Governing Director Attendance at Annual Meetings of Stockholders

Our policy is that one of the regularly scheduled in-person meetings of our Board will be scheduled on the same day as our annual meeting of stockholders, and all directors are encouraged to attend our annual meeting of stockholders. All of the then-current members of our Board attended the 2014 Annual Meeting, with the exception of Stephen G. Pearse, who resigned in August 2014.

Code of Ethics

We have adopted a code of ethics as defined by regulations promulgated under the Securities Act of 1933, as amended, and the Exchange Act, which applies to all of the employees, officers, and directors of the Company and our subsidiaries, including our principal executive officer, principal financial officer, principal accounting officer and controller, and persons performing similar functions. A current copy of the Code of Business Conduct is available at the Corporate Governance section of our website at http://ir.netscout.com/. NetScout intends to disclose amendments to or waivers from provisions of the Code of Business Conduct that apply to our principal executive officer, principal financial officer, principal accounting officer or controller, and persons performing similar functions, by posting such information on our website, available at http://ir.netscout.com/.

For more corporate governance information, you are invited to visit the Corporate Governance section of our website, available at http://ir.netscout.com/. Contents of our website are not part of or incorporated by reference into this proxy statement.

Majority Vote Policy

It is the policy of NetScout that any nominee for election to the Board who receives a greater number of votes “withheld” from his or her election than votes “for” such election shall submit his or her offer of resignation for consideration by the Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee shall consider all of the relevant facts and circumstances and recommend to the Board the action to be taken with respect to such offer of resignation. The Board will then act on the Nominating and Corporate Governance Committee’s recommendation.

THE BOARD OF DIRECTORS AND ITS COMMITTEES

		Compensation Committee	Audit Committee	Nomination & Governance Committee	Finance Committee
INDEPENDENT DIRECTORS					
Victor A. DeMarines		Member		Member	Chairperson
Robert E. Donahue	Financial Expert	Member	Member		
John R. Egan			Member	Chairperson	Member
Joseph G. Hadzima, Jr.		Chairperson	Member		Member
Vincent J. Mullarkey	Financial Expert		Chairperson		Member
Christopher Perretta		Member		Member	
NON-INDEPENDENT DIRECTORS					
Jim Lico					
INSIDE DIRECTORS					
Anil K. Singhal	★				

Chairperson   Member   Financial Expert   ★ Chairman of the Board

Board of Directors

The Board met 15 times during the fiscal year ended March 31, 2015. Each of the directors attended at least 75% of the total number of meetings of our Board and the committees on which they served during fiscal year 2015. The Board has standing Audit, Compensation, Nominating and Corporate Governance, and Finance Committees.

Audit Committee

Members Messrs. Mullarkey (Chair) Donahue Egan Hadzima **Meetings** Eight meetings during the fiscal year ended March 31, 2015 *A copy of the Audit Committee Charter can be found at* http://ir.netscout.com/ **Audit Committee Designated "Financial Experts"** are Messrs. Mullarkey and Donahue	**Responsibilities** Discharging the responsibilities of the board relating to: • Reviewing and overseeing the financial reports we provide to the SEC, our stockholders, and general public, and our accounting policies, internal accounting controls, internal control over financial reporting, auditing functions, and financial reporting practices • Appointing, and ensuring the independence of, our independent auditor and thereby furthering the integrity of our financial reporting • Establishing and overseeing procedures designed to facilitate the receipt, retention, and handling of complaints regarding disclosure controls and procedures, internal control over financial reporting and accounting, internal accounting control or auditing matters; and the receipt of confidential, anonymous submissions by our employees of concerns regarding questionable accounting or auditing matters • Reviewing and monitoring the Company's compliance with its related party transaction approval policy **Independence**: Our Board has determined that each member of our Audit Committee is independent within the meaning of the Company's and NASDAQ's director independence standards and the SEC's heightened director independence standards for audit committee members.

Compensation Committee

Members Messrs. Hadzima (Chair) DeMarines Donahue Perretta **Meetings** Six meetings during the fiscal year ended March 31, 2015 *A copy of the Compensation Committee Charter can be found at* http://ir.netscout.com/	**Responsibilities** Discharging the responsibilities of the board relating to: • The compensation of our executives other than the Chief Executive Officer • Reviewing and making recommendations to the Board with respect to our Chief Executive Officer • Administering our incentive compensation, stock plans, benefit plans, and human resources activities • Reviewing with our management and recommending for inclusion in our proxy statements and incorporation by reference in our Annual Reports on Form 10-K the Compensation Disclosure and Analysis • Reviewing and considering the results of any advisory vote on executive compensation • Managing compensation policy- and practice-related risk **Independence**: The Board has determined that each member of our Compensation Committee is independent within the meaning of the Company's and NASDAQ's director independence standards and is a "non-employee director" as defined by applicable SEC rules and regulations.

Nominating and Corporate Governance Committee

Members Messrs. Egan (Chair) DeMarines Perretta **Meetings** One meeting during the fiscal year ended March 31, 2015 *A copy of the Nominating and Corporate Governance Committee Charter can be found at* http://ir.netscout.com/	**Responsibilities** Discharging the responsibilities of the board relating to: • Identifying individuals qualified to become directors • Recommending to our Board the director nominees for election • Monitoring compliance with and periodically reviewing our Code of Business Conduct and Corporate Governance Guidelines **Independence**: The Board has determined that each member of the Nominating Committee is independent within the meaning of the Company's and NASDAQ's director independence standards.

Finance Committee

Members Messrs. DeMarines (Chair) Egan Hadzima Mullarkey **Meetings** Two meetings during the fiscal year ended March 31, 2015	**Responsibilities** Discharging the responsibilities of the board relating to: • Considering strategic initiatives and other opportunities that may become available to the Company from time to time and such other tasks as the Board may designate from time to time. **Independence**: The Board has determined that each member of the Finance Committee is independent within the meaning of the Company's and NASDAQ's director independence standards.

Report of Audit Committee of the Board of Directors[1]

The Audit Committee has reviewed and discussed the audited financial statements for the fiscal year ended March 31, 2015 with our management and PricewaterhouseCoopers LLP (PwC), our independent registered public accounting firm. Management is responsible for the preparation, presentation and integrity of the financial statements, accounting and financial reporting principles and internal control over financial reporting. PwC is responsible for performing an independent audit of the financial statements in accordance with the standards of the Public Company Accounting Oversight Board (PCAOB) and for expressing opinions on the conformity of the financial statements with accounting principles generally accepted in the United States.

The Audit Committee has discussed with PwC the matters required to be discussed by Auditing Standard No. 16, *Communications with Audit Committees*, as adopted by PCAOB and has received the written disclosures and the letters from PwC required by applicable requirements of the PCAOB regarding the independent auditor's communications with the Audit Committee concerning independence. The Audit Committee has also discussed with PwC their independence.

Based on its reviews and discussions referred to above, the audit committee recommended to the Board that the audited financial statements be included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2015 for filing with the SEC.

Respectfully submitted by the Audit Committee

Vincent J. Mullarkey, Chairman
Robert E. Donahue
John R. Egan
Joseph G. Hadzima, Jr.

The Board's Role in Risk Oversight

The Board administers risk management and oversight through the Board as a whole, as well as through various Board committees that address risks inherent in their respective areas of oversight. The Board seeks to ensure that risk management principles are incorporated in the Company's strategic planning and management processes and oversees the Company's enterprise risk management program. This comprehensive approach is reflected in the reporting processes by which our management provides timely and comprehensive information to the Board to support the Board's role in oversight, approval, and decision-making.

[1] The material in this report is not "soliciting material," is not deemed "filed" with the Commission and is not to be incorporated by reference in any filing of the Company under the Securities Act or the Exchange Act, other than the Company's Annual Report on Form 10-K, where it shall be deemed "furnished," whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

The Board monitors the information it receives and requests from management and provides oversight and guidance to our senior management team concerning the assessment and management of risk. The Board approves the Company's high level goals, strategies, and policies to set the tone and direction for appropriate risk taking within the business. The Board and its committees then emphasize this tone and direction in its oversight of management's implementation of the Company's goals, strategies and policies.

Our senior executives regularly attend meetings of the Board and its committees and provide the Board and its committees with reports regarding the Company's operations, strategies, and objectives, and the risks inherent within them. Board and committee meetings also provide a forum for directors to discuss issues with, request additional information from, and provide guidance to, senior management. In addition, our directors have direct access to senior management to discuss any matters of interest, including those related to risk. Those members of management most knowledgeable of the issues regularly attend Board and committee meetings to provide additional insight into items being discussed, including risk exposures.

The Board has delegated oversight for matters involving certain specific areas of risk exposure to its three principal committees. Each committee reports to the Board at regularly scheduled Board meetings, and more frequently if appropriate, with respect to the matters and risks for which the committee provides oversight. Each committee is also authorized and empowered to retain independent advisors as the committee deems appropriate to discharge its responsibilities under such committee's charter.

The Audit Committee oversees the integrity of our financial statements, reporting process and internal controls, the relationship with our independent registered public accounting firm, including their qualifications, independence and performance, and the Company's corporate finance matters, including its capital structure. The Audit Committee also provides oversight with respect to the Company's risk management process and litigation and compliance programs, discussing with management the Company's significant financial risk exposures, steps management has taken to monitor, control, and report such exposures, and our policies with respect to risk assessment and risk management.

The Audit Committee oversees the Company's enterprise risk management program, in which the Company has identified strategic, operational, financial, and legal risks as well as emerging risks, considering the likelihood and magnitude of such risks and other criteria management as the Audit Committee deems appropriate. Under the program, management identifies and evaluates the effectiveness of risk management and mitigation methods and periodically reports to the Audit Committee and at least annually to the Board to allow the Audit Committee and Board to monitor and manage the Company's ongoing enterprise risk management process.

Our Compensation Committee is responsible primarily for the design and oversight of the Company's executive compensation policies, plans and practices. A key objective of the Compensation Committee is to ensure that the Company's overall executive compensation program appropriately links pay to performance and aligns the interests of the Company's executives with our stockholders. The Compensation Committee also monitors the design and administration of the Company's overall incentive compensation programs to ensure that they include appropriate safeguards to avoid encouraging unnecessary or excessive risk taking by Company employees. Elements of our executive compensation program that mitigate excessive risk taking, such as our combination of short and long-term incentives, are described below under "Compensation Discussion and Analysis."

The Nominating and Corporate Governance Committee oversees risks related to our corporate governance, including Board and director performance, director succession, director education, and the Company's Corporate Governance Guidelines and other governance documents. The Nominating and Corporate Governance Committee also oversees the Company's overall compliance program.

COMPENSATION AND OTHER INFORMATION CONCERNING DIRECTORS AND EXECUTIVE OFFICERS

The following summary compensation table sets forth the total compensation paid or accrued for the fiscal year ended March 31, 2015 to our Chief Executive Officer, Chief Financial Officer, and each of our two other most highly compensated executive officers during the fiscal year ended March 31, 2015. The executives listed below may be referred to as our "Named Executive Officers."

Summary Compensation Table for Fiscal Year 2015

Name and Principal Position	Fiscal Year	Salary($)	Restricted Stock Unit Awards(1)($)	Non-Equity Incentive Plan Compensation($)	All Other Compensation(2)($)	Total($)
Anil K. Singhal	2015	325,000	1,875,500	911,400	80,820	3,192,720
Chairman, Chief Executive	2014	325,000	1,075,842	881,459	64,566	2,346,867
Officer, and President	2013	325,000	1,000,007	709,321	66,070	2,100,398
Michael Szabados	2015	275,000	1,132,652	420,000	17,752	1,845,404
Chief Operating Officer	2014	275,000	645,500	387,222	14,590	1,322,312
	2013	275,000	599,989	307,373	16,772	1,199,134
Jean Bua(3)	2015	265,008	945,102	319,000	14,944	1,544,054
Senior Vice President, Chief	2014	262,924	376,533	260,495	11,626	911,578
Financial Officer and Treasurer	2013	236,667	199,996	189,152	10,023	635,838
John W. Downing(4)	2015	237,500	945,102	288,692	11,682	1,482,976
Senior Vice President,	2014	237,500	376,533	338,709	14,052	966,794
Worldwide Sales Operations	2013	237,500	350,006	264,621	10,120	862,247

(1) Amounts shown represent the aggregate full grant date fair value calculated in accordance with FASB ASC 718, disregarding adjustments for forfeitures. The assumptions used to value these awards are set forth in Note 14 to our Annual Report on Form 10-K for the year ended March 31, 2015. The fair value shown above may not be indicative of the value realized on the date the options are exercised or the RSUs vest due to variability in the share price of our common stock. When granted, restricted stock units vest over four years and are valued based upon the closing market price of our common stock at the date of grant.
(2) Includes 401(k) contributions made by the Company on behalf of the Named Executive Officer. See the All Other Compensation Table below for additional information.
(3) The salary amounts shown for Ms. Bua for fiscal years 2013 and 2014 do not reflect her full base salary due to rate increases which were approved after the start of each fiscal year. Ms. Bua's base salary information was $240,000 and $265,000 respectively.
(4) The information presented for Mr. Downing under the "Non-Equity Incentive Plan Compensation" column consists of sales commissions and bonus for the fiscal years ended March 31, 2013, 2014 and 2015.

Option Awards. We did not make any option grants during the fiscal years ended March 31, 2013, 2014, or 2015 to any of our Named Executive Officers. Therefore, we have omitted this column.

Nonqualified Deferred Compensation Earnings. We currently do not provide a non-qualified defined contribution plan or other deferred compensation plan to any of our Named Executive Officers.

All Other Compensation Table for Fiscal Year 2015

Name and Principal Position	Fiscal Year	Car Usage($)	Financial and Legal Counseling($)	401(K) Match($)	Other(1)($)	Total($)
Anil K. Singhal	2015	17,483	43,627	7,500	12,210	80,820
Michael Szabados	2015	—	1,000	7,500	9,252	17,752
Jean Bua	2015	—	—	7,500	7,444	14,944
John W. Downing	2015	—	—	7,302	4,380	11,682

(1) This column reports the total amount of other benefits provided, none of which individually exceeded the greater of $25,000 or 10% of the total amount of All Other Compensation for the Named Executive Officer. These other benefits include the value of supplemental life insurance premiums and spousal attendance at Company sponsored events.

Grants of Plan-Based Awards in Fiscal Year 2015

The following table sets forth grants of plan-based awards to each of our Named Executive Officers for the year ended March 31, 2015:

			Estimated Possible Payouts Under Non-Equity Incentive Plan Awards			Estimated Possible Payouts Under Equity Incentive Plan Awards			
Name	**Grant Date**	**Grant Type**	**Threshold ($)**	**Target ($)**	**Maximum ($)(1)**	**Threshold (#)**	**Target (#)**	**Maximum (#)(2)**	**Grant Date Fair Value of Stock and Option Awards ($)(3)**
Anil K. Singhal	11/13/14	RSU				—	50,000	—	1,875,500
	5/20/14	Cash	—	651,000	—				
Michael Szabados	11/13/14	RSU				—	30,000	—	1,125,300
	12/11/14	RSU				—	200	—	7,352
	5/20/14	Cash	—	300,000	—				
Jean Bua	11/13/14	RSU				—	25,000	—	937,750
	12/11/14	RSU				—	200	—	7,352
	5/20/14	Cash	—	210,000	—				
John W. Downing	11/13/14	RSU				—	25,000	—	937,750
	12/11/14	RSU				—	200	—	7,352
	5/20/14	Cash	—	312,500(4)	—				

(1) Actual non-equity incentive plan awards are made based on various factors including the Company's overall performance, as described more fully in the Compensation Discussion and Analysis. As described, the Company has not set prescribed maximum payments, and the possible award could exceed 100% of an individual's target if the Company exceeded its goals and the individual met or exceeded his goals.

(2) Actual equity incentive plan awards are made based on various factors including the Company's overall performance, as described more fully in the Compensation Discussion and Analysis. As described, the Company has not set prescribed maximum awards.

(3) Amounts shown represent the aggregate full grant date fair value calculated in accordance with FASB ASC 718, disregarding adjustments for forfeitures. The assumptions used to value these awards are set forth in Note 14 to our Annual Report on Form 10-K for the year ended March 31, 2015. The fair value shown above may not be indicative of the value realized on the date the options are exercised or the RSUs vest due to variability in the share price of our common stock.

(4) Represents a target bonus of $168,750 and target commission payment of $143,750.

During the fiscal year ended March 31, 2015, we did not make any "other stock awards" or "other option awards" and have therefore omitted those columns.

Outstanding Equity Awards at Fiscal Year 2015 End Table

		Option Awards				Stock Awards	
Name	Grant Date	Number of Securities Underlying Unexercised Options(#) Exercisable	Number of Securities Underlying Unexercised Options(#) Unexercisable	Option Exercise Price($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested(#)	Market Value of Shares or Units of Stock That Have Not Vested($)
Anil K. Singhal	11/13/14	—	—	—	—	50,000	2,192,500
	8/26/13	—	—	—	—	31,251	1,370,356
	8/21/12	—	—	—	—	20,696	907,520
	9/7/11	—	—	—	—	11,760	515,676
Michael Szabados	12/11/14	—	—	—	—	200	8,770
	11/13/14	—	—	—	—	30,000	1,315,500
	8/26/13	—	—	—	—	18,750	822,188
	8/21/12	—	—	—	—	12,417	544,485
	9/7/11	—	—	—	—	8,400	368,340
Jean Bua	12/11/14	—	—	—	—	200	8,770
	11/13/14	—	—	—	—	25,000	1,096,250
	8/26/13	—	—	—	—	10,938	479,631
	8/21/12	—	—	—	—	4,139	181,495
	9/7/11	—	—	—	—	3,360	147,336
John W. Downing	12/11/14	—	—	—	—	200	8,770
	11/13/14	—	—	—	—	25,000	1,096,250
	8/26/13	—	—	—	—	10,938	479,631
	8/21/12	—	—	—	—	7,244	317,649
	9/7/11	—	—	—	—	4,200	184,170

Unearned Equity Incentive Plan Awards. We do not have any unearned equity incentive plan awards for any of our Named Executive Officers and have therefore omitted the corresponding columns.

Option Exercises and Stock Vested in Fiscal Year 2015 Table

The following table sets forth option exercises and vested stock awards for each of our Named Executive Officers for the fiscal year ended March 31, 2015:

	Option Awards		Stock Awards	
Name	**Number of Shares Acquired on Exercise(#)**	**Value Realized on Exercise($)(1)**	**Number of Shares Acquired on Vesting(#)**	**Value Realized on Vesting($)(2)**
Anil K. Singhal	—	—	19,056	770,815
	—	—	10,348	470,006
	—	—	10,416	472,782
	—	—	11,760	545,547
Michael Szabados	—	—	13,604	550,282
	—	—	6,209	282,013
	—	—	6,250	283,687
	—	—	8,400	389,676
Jean Bua	—	—	2,070	94,019
	—	—	3,645	165,447
	—	—	3,360	155,870
	—	—	6,192	285,885
John W. Downing	—	—	8,501	343,865
	—	—	3,622	164,511
	—	—	3,645	165,447
	—	—	4,200	194,838

(1) Value is calculated by multiplying the number of shares times the closing price of a share of our common stock on the exercise date and subtracting from that amount the exercise price multiplied by the number of shares acquired on such exercise date.

(2) Value is calculated by multiplying the number of shares times the closing price of a share of our common stock on the vesting date.

Pension Benefits Table for Fiscal Year 2015

The following table sets forth the payments or other benefits at, following, or in connection with retirement of our Named Executive Officers.

Name	Fiscal Year	Number of Years of Credited Service(#)	Present Value of Accumulated Benefit($)	Payments During Last Fiscal Year($)
Anil K. Singhal	2015	99 months	1,600,000	—
	2014	87 months	1,600,000	—
	2013	75 months	1,600,000	—

In January of 2007, we entered into an agreement with Mr. Singhal that provides retirement benefits. Total future severance payments are projected at $1,400,000. Mr. Singhal's retirement benefits also include a projected $200,000 in payments for future health benefits. These benefits are an unfunded obligation.

Non-Qualified Deferred Compensation Table for Fiscal Year 2015

We do not provide a non-qualified defined contribution plan or other deferred compensation plan to any of our Named Executive Officers and have therefore omitted this table.

Director Compensation Table for Fiscal Year 2015

Name	Fees Earned or Paid in Cash($)(1)	Stock Awards($)(2)	All Other Compensation($)(3)	Total($)
Victor A. DeMarines(4)	64,300	99,026	60,000	223,326
Robert E. Donahue(5)	54,800	82,522	50,000	187,322
John R. Egan(6)	90,800	132,035	80,000	302,835
Joseph G. Hadzima(7)	61,800	99,026	60,000	220,826
Vincent J. Mullarkey(8)	66,800	99,026	60,000	225,826
Christopher Perretta(9)	15,130	82,522	—	97,652

(1) Amounts represent the aggregate dollar amount of fiscal year 2015 fees earned or paid in cash for services as a director, including annual retainer fees and committee fees.

(2) Amounts shown do not reflect compensation actually received by the listed directors but represent the aggregate full grant date fair value of restricted stock unit awards granted to our non-employee directors calculated in accordance with FASB ASC 718, disregarding adjustments for forfeitures. The assumptions used to value these awards are set forth in Note 14 to our Annual Report on Form 10-K for the year ended March 31, 2015.

(3) Amounts represent the cash payment received by the non-employee director to help offset the tax incurred by such non-employee director in connection with the vesting during the fiscal year ended March 31, 2015 of restricted stock units granted to such non-employee director during the fiscal year ended March 31, 2014.

(4) As of March 31, 2015, Mr. DeMarines held unvested RSUs covering 2,640 shares of our common stock.

(5) As of March 31, 2015, Mr. Donahue held unvested RSUs covering 2,200 shares of our common stock.

(6) As of March 31, 2015, Mr. Egan held unvested RSUs covering 3,520 shares of our common stock.

(7) As of March 31, 2015, Mr. Hadzima, Jr. held unvested RSUs covering 2,640 shares of our common stock.

(8) As of March 31, 2015, Mr. Mullarkey held unvested RSUs covering 2,640 shares of our common stock.

(9) As of March 31, 2015, Mr. Perretta held unvested RSUs covering 2,200 shares of our common stock.

Non-employee directors are compensated $36,000 annually for their services and do not receive any additional compensation for any regular Board meeting attended. The lead non-employee director receives an additional annual retainer of $30,000. Non-employee directors currently receive $10,000 annually for serving on the Audit Committee, $8,000 annually for serving on the Compensation Committee, and $6,000 annually for serving on the Nominating Committee. In addition, directors who are chairpersons of a particular committee are also given additional annual compensation of $20,000 for the Audit Committee, $10,000 for the Compensation Committee, $8,000 for the Nominating Committee, and $6,000 for the Finance Committee. Finance Committee members receive $1,000 for each meeting attended in person and $800 for each meeting attended via telephone. Non-employee directors are also reimbursed for their reasonable out-of-pocket expenses incurred in attending meetings of the Board or of any committee and for attendance at approved director education programs.

Non-employee directors are granted annually equity-based awards in the form of restricted stock units and related cash amounts upon vesting to defray the corresponding tax liability as follows:

Element	Role/Position: Lead Directors	Chairperson	Other Directors
Total value (RSU Grant and Cash Offset)	$212,000	$159,000	$132,500
RSU Grant	$132,000	$ 99,000	$ 82,500
Cash Offset	$ 80,000	$ 60,000	$ 50,000

These restricted stock unit awards vest 100% on the date of our annual meeting provided that during such year, such director attends at least 75%, collectively, of the meetings of the Board and any committee of the Board of which such director is a member. In the event that the foregoing attendance requirements are not met, then 100% of these restricted stock units will vest on the third anniversary of the date of grant. No other equity awards are given to our non-employee directors.

Stock Plans

Amended and Restated 2007 Equity Incentive Plan. Our 2007 Plan was initially adopted by the Board in September 2007 and was initially approved by our stockholders at the September 12, 2007 annual meeting of stockholders. This plan was amended and restated in 2011, to, among other items, increase the number of shares available for issuance under the plan by 8,000,000 shares. The amendment and restatement was approved by our stockholders at the September 7, 2011 annual meeting of stockholders. The 2007 Plan replaced our 1999 Stock Option and Incentive Plan. The 2007 Plan allows us to grant restricted stock units, stock, stock options, and other equity interests to our and our subsidiaries' employees, officers, directors, consultants, and advisors. Under the 2007 Plan, we may grant options that are intended to qualify as incentive stock options within the meaning of Section 422 of the Code, options not intended to qualify as incentive stock options, restricted stock, and other stock-based awards. Incentive stock options may be granted only to our employees. The maximum number of shares as to which equity awards may be granted under the 2007 Plan as of the Record Date is 5,746,585 shares (subject to certain adjustments under the 2007 Plan), of which no more than 500,000 shares may be granted to any one person in one fiscal year.

The 2007 Plan is administered by our Compensation Committee. Subject to the provisions of the 2007 Plan, our Compensation Committee has the authority to select the persons to whom awards are granted and to determine the terms of each award, including the number of shares of common stock subject to the award.

Payment of the exercise price of an award may be made in cash or, if approved by the Compensation Committee, shares of common stock, a combination of cash and stock, a promissory note, or by any other method approved by the Compensation Committee. Unless otherwise permitted by the Compensation Committee, awards are not assignable or transferable except by will or the laws of descent and distribution and, during the participant's lifetime, may be exercised only by the participant.

The Compensation Committee may, in its sole discretion, amend, modify or terminate any award granted or made under the 2007 Plan, so long as such amendment, modification or termination would not materially and adversely affect the participant. The Compensation Committee may also provide that any option shall become immediately exercisable, in full or in part, or that any restricted stock granted under the 2007 Plan shall be free of some or all restrictions.

As of the Record Date, restricted stock units representing 1,884,481 shares of common stock were outstanding.

2011 Employee Stock Purchase Plan. The 2011 Employee Stock Purchase Plan, or the 2011 Purchase Plan was adopted by the Board in June 2011 and was approved by our stockholders at the September 7, 2011 annual meeting of stockholders. A total of 2,500,000 shares of common stock are reserved for issuance under the 2011 Purchase Plan. The 2011 Purchase Plan grants eligible employees the opportunity to purchase our common stock through payroll deductions.

Under the 2011 Purchase Plan, eligible enrolled employees may, during the offering period, purchase shares of common stock through payroll deductions, not to exceed 20% of an individual employee's compensation during the offering period. The purchase price per share during an offering period is determined by the Board at the beginning of the offering period, but may not be less than 85% of the lesser of the fair market value per share of our common stock on that purchase date or the fair market value per share of our common stock on the first day of the offering period. However, no employee is eligible to participate in the 2011 Purchase Plan if, immediately after the grant of purchase rights, the employee would own, directly or indirectly, stock possessing 5% or more of the total combined voting power or value of all classes of our stock, including any stock which such employee may purchase under all outstanding purchase rights and options. In addition, no employee may purchase more than $25,000 worth of our common stock, valued at the time each purchase right is granted, for each calendar year during which those purchase rights are outstanding.

The Board administers the plan and retains the power to interpret both the 2011 Purchase Plan and the purchase rights granted thereunder, including eligibility to participate and the particular provisions of each offering of rights. The Board, in its sole discretion, has the power to delegate administration of the 2011 Purchase Plan to a committee composed of one or more members of the Board.

As of the Record Date, 2,015,000 shares remain available for purchase under the 2011 Purchase Plan.

The following table sets forth securities authorized for issuance under our stock option plans as of fiscal year ended March 31, 2015:

Equity Compensation Plan Information

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 security holders	1,929,315	0.00	5,682,319
Equity compensation plans not approved by security holders	—	—	—
Total	1,929,315	0.00	5,682,319

Stock Ownership Policy

In 2010, the Compensation Committee approved a Stock Ownership Policy for certain of the Company's executive officers and directors. The Stock Ownership Policy states that within four years of the date the policy became effective, or within four years after becoming an executive officer or director, the executive officers and directors will be subject the following stock ownership requirements:

Title	Ownership Guideline(1)
Chief Executive Officer	4x annual base salary
Chief Operating Officer	3x annual base salary
Section 16 Officers who are Senior Vice Presidents	2x annual base salary
Directors	3x annual board retainer

(1) The ownership guideline for each participant will be converted into a number of shares on the first day of each fiscal year based on the average closing price of a share of NetScout stock for the previous fiscal year.

The Compensation Committee is responsible for monitoring compliance with the guidelines. As of March 31, 2015, each officer and director had met the requirements of the Stock Ownership Policy. Shares that count toward the ownership target include all shares directly or beneficially owned by the director or executive officer, unvested restricted stock units granted under Company's plans (restricted stock units will be applied toward the ownership requirements based on the value of restricted stock units after taking into account any required share withholding), and shares purchased on the open market.

401(k) Plan

We maintain a 401(k) plan qualified under Section 401 of the Code. All of our U.S. employees who are at least 18 years of age and work at least 20 hours per week are eligible to participate in the 401(k) plan. Under the

401(k) plan, a participant may contribute a maximum of 80% of his or her pre-tax salary, commissions and bonuses through payroll deductions, up to the statutorily prescribed annual limit, which was $17,500 (or $23,000 for individuals at least 50 years of age) for calendar year 2014 and $18,000 (or $24,000 for individuals at least 50 years of age) for calendar year 2015, to the 401(k) plan. At the discretion of our Board, we may make matching contributions to the 401(k) plan. During the plan year ended December 31, 2014, we matched 50% of employee contributions up to 6% of compensation. Employer contributions vest over four years at a rate of 25% per year of service. In addition, at the discretion of our Board, we may, but have not done so to date, make profit-sharing contributions to the 401(k) plan for all eligible employees.

Employment and Other Agreements

Mr. Singhal assumed the role of Chairman of our Board, effective January 19, 2007. In conjunction with his additional responsibilities, we entered into a new employment agreement with Mr. Singhal, which provides that he will receive an annual base salary of at least $300,000. The employment agreement provides for a three-year term commencing January 19, 2007 with automatic one-year renewals. During the term of this agreement, Mr. Singhal will also be eligible to receive an annual bonus based on Company performance and individual objectives. The employment agreement is terminable at will by either party and provides that if we elect not to renew the agreement for any reason, or if Mr. Singhal's employment is terminated by us without due cause as defined in the agreement, by Mr. Singhal at any time following the consummation of a sale of the Company, or upon the death or disability of Mr. Singhal, Mr. Singhal, or his estate, is entitled to receive in a lump sum, a payment equal to the net present value of $16,208 per month for seven years. If Mr. Singhal terminates his employment with us for any reason prior to the consummation of a sale of the Company, he is entitled to such lump sum payment. Mr. Singhal will also receive continued health and dental benefits during such period. Mr. Singhal's employment agreement was amended in May 2012 to address technical requirements of Section 409A of the Internal Revenue Code of 1986, as amended.

We also entered into amended and restated severance agreements in May 2012, which were amended in January 2015, with our Named Executive Officers other than Mr. Singhal, each of which are described under the heading "Post Termination Compensation" in Compensation Discussion and Analysis below.

Each of these agreements was approved by a majority of our Board and by a majority of the disinterested members of our Board. All future transactions, if any, with our executive officers, directors, and affiliates will be approved in accordance with our related party transaction policy discussed below under "Transactions with Related Persons."

Potential Payments Upon Termination or Change of Control

The table below sets forth the estimated amount of payments and other benefits each Named Executive Officer would be entitled to receive upon the occurrence of the indicated event, assuming that the event occurred on March 31, 2015. The information is provided relative to the Named Executive Officer's termination or change of control arrangements as of the Record Date and assumes such arrangements were actually in effect as of March 31, 2015. The values relating to vesting of stock options and restricted stock unit awards are based upon a per share fair market value of our common stock of $43.85 the closing price reported on the NASDAQ Global Select Market on March 31, 2015, the last trading day of the year ended March 31, 2015. Actual payments made at any future date will vary based on various factors including, salary and bonus levels, the vesting schedules of the various equity-based awards, and the price of our common stock at the time of termination or change of control. For purposes of the payments associated with a change of control set forth in following table, we have assumed that the respective Named Executive Officer was terminated on March 31, 2015 and that such arrangements were actually in effect as of such date.

Please refer to the heading "Post Termination Compensation" below in Compensation Discussion and Analysis for a discussion of the particular terms of the applicable termination or change or control arrangements reflected in the table below.

Name	Termination Event*	Salary and Other Cash Payments ($)	Vesting of Stock Options ($)	Vesting of RSUs ($)(4)	Health and Dental Benefits ($)
Anil K. Singhal	Termination without cause by the Company at any time, or termination by Mr. Singhal for any reason prior to or following a change of control	1,400,000(1)	—	—	200,000
Michael Szabados	Termination without cause or resignation for good reason other than in the context of a change of control	275,000(2)	—	—	—
	Termination without cause or resignation for good reason within one year following a change of control	575,000(3)	—	1,245,691	—
Jean Bua	Termination without cause or resignation for good reason other than in the context of a change of control	265,008(2)	—	—	—
	Termination without cause or resignation for good reason within one year following a change of control	475,008(3)	—	674,194	—
John W. Downing	Termination without cause or resignation for good reason other than in the context of a change of control	237,500(2)	—	—	—
	Termination without cause or resignation for good reason within one year following a change of control	550,000(3)	—	779,127	—

* All agreements include a clawback provision releasing the Company from its obligation to make additional payments and requiring the relevant executive to repay the Company for amounts paid in the event an investigation by Company reveals the executive engaged in fraudulent, dishonest, or criminal acts. The agreements provide for notice and an opportunity to cure.

(1) See description of Mr. Singhal's employment arrangement under "Post-Termination Compensation" for details regarding these potential payments.

(2) Payments to be made in equal installments over a 12 month period following termination. In the event of death within the 12 month period, payments will be accelerated and made to the deceased's estate within 30 days.

(3) Represents one year current base salary plus the prorated amount of the officer's maximum annual target bonus, based on the months elapsed in the year of termination (which may not be less than 50% of such officer's maximum annual target bonus). This amount to be paid in equal installments over the 12 month period following termination.

(4) Upon a termination without cause or a resignation for good reason within one year following a change in control, Ms. Bua and Messrs. Szabados and Downing are entitled to acceleration of certain unvested equity-based awards. All of such unvested equity-based awards with respect to such Named Executive Officers are assumed to have accelerated as of March 31, 2015, the last trading day of the year ended March 31, 2015. There were no outstanding stock options for the Named Executive Officers on March 31, 2015. For vesting

of RSUs, the amount shown in this column represents the fair market value of unvested RSUs based on $43.85, the closing price for our common stock on March 31, 2015, the last trading day of the year ended March 31, 2015.

Compensation Discussion and Analysis

Executive Summary

Executive Compensation Overview

The goal of our executive officer compensation program is to retain and reward highly qualified, talented leaders who create long-term stockholder value. Our program is designed to align management's interests with those of stockholders and to motivate senior executives to increase our long-term growth and profitability while minimizing risks that could result from compensation decisions.

We emphasize pay for performance. For example, Named Executive Officers are not eligible for bonus payments until after our profit objectives are met. Other points that underscore the alignment between stockholders and officer performance include, among other items, no guaranteed bonuses, no tax gross ups, and stock holding requirements.

Business Overview

We are a market leader in service assurance solutions that enable enterprise and service provider organizations to assure the quality of the user experience for business and mobile services. NetScout technology helps these organizations manage service delivery and identify emerging performance problems, helping to quickly resolve issues that cause business disruptions or negatively affect users of information technology. By cost-effectively monitoring and managing inherent network complexity, we enable our customers to reduce capital and operational costs without compromising the end user experience while facilitating the evolution toward new computing paradigms, including virtualization, mobility, and cloud. We manufacture and market these products in integrated solutions that are used by commercial enterprises, large governmental agencies and telecommunication service providers worldwide. Our recent strategic acquisition of the Danaher Communications Business discussed below will further expand our total addressable market, strengthen our go-to-market capabilities, and provide greater operational scale to support solid revenue growth, improved profitability, and strong free cash flow generation over the long term.

Corporate Performance Highlights

During the past fiscal year, we continued to expand our business globally and execute on our strategy. In addition to achieving positive financial results for fiscal year 2015, delivering on product innovation initiatives, and expanding our relationships with customers worldwide, we also advanced the strategic acquisition of the Danaher Communications Business, which we believe represents an unprecedented opportunity to strengthen NetScout and position us to deliver enhanced, sustainable stockholder value. The transaction, which was announced on October 13, 2014 and successfully completed on July 14, 2015, will:

- create a broader portfolio of best-in-class solutions that will roughly double our total addressable market to over $8 billion;
- accelerate our plans to participate more substantially in growth-oriented market sectors such as cyber intelligence and business intelligence analytics;
- allow stronger go-to-market capabilities to support a broader, more global and diverse customer base of service provider and enterprise customers; and
- allow for notable operating synergies arising from our greater scale that will enable us to improve efficiencies across a number of key functional areas, along with the resources necessary to fund continued innovation and key sales, marketing and support programs.

Over the past fiscal year, we met or exceeded our goals as demonstrated by our strong financial performance and ongoing technology leadership. We completed our fiscal year 2015 with strong 14% total revenue growth (GAAP and non-GAAP) and stellar 33% EPS growth, with notable innovations, successful expansion of customer relationships worldwide, and our third consecutive year of solid non-GAAP revenue growth with even stronger profitability growth. Additionally, for fiscal year 2015:

- product revenue increased 16% year over year (GAAP and non-GAAP), with service revenue up 11% year over year (GAAP and non-GAAP);
- net income increased year over year 25% GAAP and 31% non-GAAP; and
- operating margin for the year was 21.3% (GAAP), up from 19.7% the prior fiscal year, with non-GAAP operating margin at 29.5%, compared with 25.4% in the prior fiscal year.

The year was also marked by a number of technical and strategic milestones, including our:

- ongoing adoption of the flagship nGeniusONE product;
- continued development of new features and functionality within nGeniusONE as well as innovation with our patented, proprietary Adaptive Service Intelligence technology; and
- continued market share gains in the service provider market and expansion of NetScout's business with both government and enterprise customers;
- advancement of the acquisition of the Danaher Communications Business to completion on July 14, 2015; and
- development and refinement of plans to integrate the Danaher Communications Business into NetScout in ways that are intended to support the Company's strategic, operational and financial objectives.

2014 Advisory Vote on Executive Compensation

At the 2014 Annual Meeting, stockholders approved our say-on-pay proposal with 95% of the total votes cast voting in favor. Consistent with the preference of our stockholders, our policy is to hold annual say-on-pay votes. The Compensation Committee considers the results of the advisory vote as it completes its annual review of executive compensation. Given the significant level of stockholder support, the Compensation Committee concluded that our compensation program continues to provide a competitive pay-for-performance package that effectively provides incentives to our Named Executive Officers and other executives to maximize stockholder value and encourages retention of talented Named Executive Officers. Accordingly, the Compensation Committee determined not to make any significant changes as a result of the vote. The Committee will continue to consider the outcome of our say-on-pay votes and our stockholder views when making future compensation decisions for our Named Executive Officers.

Compensation Governance Highlights

What we do	What we don't do
☑ Design executive compensation program to align pay with performance	☒ No excessive change in control or severance payments
☑ Provide reasonable post-employment and change in control provisions	☒ No "single-trigger" change in control benefits
☑ Maintain executive stock ownership guidelines	☒ No tax gross-ups
	☒ No excessive perquisites

Executive Compensation Objectives

We use our compensation program to achieve the following objectives:

- provide compensation opportunities that attract, motivate, and retain the best talent and highest caliber people possible to serve our customers and achieve our strategic objectives;
- align management's interests with our success, by linking compensation and performance, based on the attainment of both Company goals and individual goals and by including long-term equity incentives;
- increase our revenue, increase our profitability, and accordingly to increase stockholder value;
- foster an environment of teamwork and shared success among executives and the entire NetScout workforce; and
- reward effective management of financial and operational risk.

Compensation Philosophy

To achieve our compensation objectives, the Compensation Committee has developed an executive compensation program comprised of the following elements that are further described below under "Elements of Our Executive Compensation Program": cash compensation in the form of base salary and annual performance-based cash bonuses, long-term incentive awards in the form of equity grants and certain benefits.

The Compensation Committee reviews the program, including elements of compensation, the mix of long-term versus short-term compensation and cash versus equity compensation, over the course of several meetings each year to evaluate whether the program supports our long-term goals. The Compensation Committee considers our past financial performance and future goals, individual performance and experience, and overall compensation levels when making compensation decisions. In addition, the Compensation Committee uses the following principles to guide its decisions regarding executive compensation:

Pay for Performance

Total compensation should reflect a "pay for performance" philosophy in which a substantial portion of executive compensation should be tied to the achievement of performance objectives of both NetScout and the individual. Cash compensation for our Named Executive Officers is heavily weighted toward short-term incentive bonus awards, which in turn are dependent in part upon achievement of Company-wide earnings and revenue targets. Past performance by the executives is considered in determining the size of annual grants of long-term incentive equity awards.

Alignment with Stockholders' Interests

Total compensation levels should include a component that reflects our overall performance through the use of equity-based awards in order to align executive officer and stockholder interests.

Internal Parity

To the extent practicable, and based on individual performance and position, base salaries and short- and long-term incentive targets for similarly-situated executives within NetScout should be comparable to avoid divisiveness and encourage teamwork, collaboration, and a cooperative working environment.

External Competitiveness

Executives' total compensation should be competitive with peer companies so that we can attract and retain high performing key executive talent. To achieve this goal within market ranges, our Compensation Committee periodically reviews the compensation practices of other companies in our peer group, as discussed in the "Use of Third Party Data/Peer Group" section below.

Avoidance of Excessive Perquisites

Although we will consider certain perquisites that are common and appropriate for similarly-situated executives of public companies, as a general matter we intend to avoid the payment of excessive, unusual, or unnecessary perquisites to executives.

Elements of Our Executive Compensation Program

Compensation for our Named Executive Officers currently consists of three principal elements that are designed to reward performance in a simple and straightforward manner: base salaries, annual performance-based cash bonuses, and long-term equity awards. The purpose and key characteristics of each of these elements are summarized below.

Element	Purpose	Key Characteristics
Base Salary	• Provides a fixed level of compensation for performing the essential day-to-day elements of the job • Reflects each executive officer's qualifications, experience, and responsibilities compared to executives at similar companies • Gives executives a degree of certainty in light of having a majority of their compensation at risk	• Established near the beginning of each fiscal year and generally set below the median percentage offered to similarly-situated executives in our peer group, consistent with our compensation philosophy of pay for performance • Compensation Committee determines base salary levels for Named Executive Officers, and makes recommendations to the Board in the case of our Chief Executive Officer, whose base salary may not be reduced below $300,000 without his consent under the terms of his employment agreement • For executive officers other than our Chief Executive Officer, typically determined after considering the evaluations and recommendations made by our Chief Executive Officer, who applies his own judgment in making recommendations after reviewing our performance, the performance of each executive officer against corporate and individual goals, the executive's career with the Company, the amounts of current and long-term compensation, and special circumstances such as strategic alliances or acquisitions

Element	Purpose	Key Characteristics
Annual Cash Incentive	• Intended to motivate executives to achieve both financial operating goals and individual performance goals, which may include financial and non-financial objectives	• Target amounts established shortly after the start of each fiscal year, and, consistent with our pay for performance approach, is intended to be at or slightly above the median percentage offered to similarly-situated executives in our peer group, which, upon achievement, makes total compensation comparable to compensation paid to executives at similar companies • Corporate performance goals generally consist of Board-approved non-GAAP EPS and non-GAAP revenue targets • Executive officers are eligible for bonuses only after NetScout meets or exceeds a Company-wide EPS target, except for Mr. Downing, our SVP Worldwide Sales, whose short-term cash incentive compensation consists of both commissions based on sales and a bonus component • If NetScout meets or exceeds the target, as described further below, executive officer bonuses are then determined based on attainment of individual goals, contribution to the Company-wide goals, including revenue, and other criteria as may be determined by the Compensation Committee, such as teamwork, ethical behavior, and adherence to our corporate values and policies • Paid annually shortly after the end of the fiscal year to which they relate
Long-Term Equity Incentives	• Motivates executive officers to achieve our business objectives and manage risk by tying compensation to the performance of our common	• Restricted stock unit awards generally vesting over four years; the ultimate value realized varies with our common stock price

Element	Purpose	Key Characteristics
	stock over the long term, which aligns the interests of management and stockholders • Motivates our executive officers to remain with the Company by mitigating swings in incentive values during periods when market volatility impacts our stock price • Attracts highly qualified individuals who can contribute to our success	• Generally granted to executive officers at their appointment and then annually, depending upon performance • Determined based on each executive's past performance and internal guidelines, vesting schedules of previously granted equity awards, and the current stock price • The Compensation Committee also reviews, with the use of tally sheets, previous equity grants to executive officers and considers the level of outstanding awards as a factor in its determinations • To further our long term incentive goals, in 2010 the Compensation Committee approved a Stock Ownership Policy for certain executive officers and directors, as described in this proxy statement under "Stock Ownership Policy"
Other Compensation	• Provides benefits that promote employee health and welfare, which assists in attracting and retaining our executive officers	• Provides benefits that are common and appropriate for similarly-situated executives of public companies, including health insurance and our 401(k) Plan • Executive officers are also eligible for life insurance policies that provide for three times cash compensation (salary and bonus) up to a $1.5 million cap with evidence of insurability, which differs from the two times salary and bonus and $750,000 cap available to non-sales employees and two times salary and commission and $750,000 cap available to sales employees. Mr. Singhal is entitled to other benefits discussed below

Executive Compensation Review and Process

General

The Compensation Committee meets at least four times annually to coincide with regularly scheduled Board meetings and usually holds additional meetings during the year. The Compensation Committee met six times during the fiscal year ended March 31, 2015. Each year, the Committee reviews compensation objectives and practices in connection with the annual review and approval of executive officer compensation. The Compensation Committee exercises complete discretion and has ultimate authority with respect to executive compensation matters, except in the case of the compensation of the Chief Executive Officer, which is approved by the full Board after receiving a recommendation from the Compensation Committee.

Role of Senior Management

The Compensation Committee views the compensation determination process as an important opportunity to engage in strategic discussions with the Chief Executive Officer on the appropriate factors and criteria that should be focused on for the attainment of long-term stockholder value. Our Chief Executive Officer often participates in discussions and deliberations regarding the compensation of our executive officers and he provides recommendations with respect to such executives. The other executives do not play a role in determining their compensation, other than in discussing their performance with the Chief Executive Officer and the Chief Operating Officer, who makes his own recommendations to the Chief Executive Officer for the Chief Executive Officer's consideration. The Chief Operating Officer has no role in determining his own compensation, other than providing the Chief Executive Officer with an assessment of his own performance. Our Chief Executive Officer is not present and does not participate in discussions or deliberations regarding his own compensation, performance, or objectives, whether at Compensation Committee or Board meetings.

Role of Compensation Consultants

In January 2015, our Compensation Committee again engaged Pearl Meyer & Partners, an independent compensation consulting firm, to assist with peer group analysis and to collect compensation information pertaining to executive compensation matters. The Compensation Committee has determined that Pearl Meyer is free from conflicts of interest.

The Compensation Committee may continue to work with compensation consultants during fiscal year 2016 to analyze and consider modifications to our compensation practices. For fiscal year 2015, the process that the Compensation Committee followed, similar to prior years, is described below.

Use of Third Party Data/Peer Group Data

The Compensation Committee determines and periodically reevaluates our peer group based on revenue, market capitalization, net income, number of employees, and similar industry/related technology. Additional factors over the past two years have included revenue growth over one and three years and total stockholder return over one and three years.

In April 2015, the Compensation Committee revised the peer group, based on information provided by the compensation consultant to ensure the relevance of the peer group, but the Committee did not rely specifically on any particular data arising out of the peer group data related to executive compensation in making decisions about compensation for Named Executive Officers.

The Committee considers peer group data as one of several factors when examining and making decisions about officer compensation. The Compensation Committee believes the data are helpful but consider such information as part of a range of factors in determining appropriate compensation levels. Generally, the data are used to confirm that our executives are paid competitively. The comparison is intended to inform the Compensation Committee's discussion, but it is not intended to determine compensation in any formulaic way. The Compensation Committee looks to the peer data to ensure that we are paying compensation that is reasonably aligned within our peer group companies.

Evaluation of Executive Performance

The Compensation Committee reviews annually, over a series of meetings, the performance and compensation of each of our executive officers. The Compensation Committee takes into account our financial performance and future expectations, individual performance and experience, and overall compensation levels. The Compensation Committee has not typically assigned specific weights, formulas, or rankings to these factors, but instead makes a determination based on consideration of all of these factors as well as the progress made with respect to our long-term goals and strategies, except that the Compensation Committee does place greater emphasis on the achievement of the Company's overall corporate financial targets in making its determinations and considers those financial targets as shared objectives for all executives.

For those individual goals that are capable of direct measurement, the Compensation Committee considers the percentage of goal achievement taking into account developments during the year, including both internal and external factors affecting the Company. For goals that are qualitative in nature or are not as susceptible to financial or numerical measurement, the Compensation Committee relies primarily on its judgment, knowledge of the business, and information obtained through interactions with management throughout the year, recognizing that qualitative criteria can still be measured as having been achieved or not achieved.

Establishing Performance Goals

The corporate level performance goals and the individual performance goals are normally set shortly after the beginning of each fiscal year. Discussions of next year's goals typically begin during the fourth quarter of the current fiscal year, in conjunction with management's development of proposed strategic and operating plans and budget for the next fiscal year. The Compensation Committee endeavors to establish goals for executive officers consistent with the high end of NetScout's strategic plan, financial goals, and operating budget for the year. Accordingly, the Compensation Committee generally has the expectation that achievement will be difficult though not impossible.

With respect to specific corporate goals, there is a pre-established threshold goal, which is typically a profit target, which the Company must achieve before any payment is made for the fiscal year. Next, the Compensation Committee considers achievement of the Company financial goals, which are typically profit and revenue targets, but the Compensation Committee does not assign specific weights, formulas, or rankings to these goals.

In addition, the Chief Executive Officer works with each executive officer to establish individual annual performance goals and then presents proposed goals for each executive officer to the Compensation Committee for review and evaluation. The Compensation Committee or the Board provides advice and comments on the individual executive goals and approves the goals with any requested changes. Individual executive performance goals are not established or scored in as rigid a manner as the overall corporate level performance goals. The Compensation Committee believes that the Chief Executive Officer is in the best position to evaluate the day to day performance of the executives who report to him and to the Chief Operating Officer, and the Compensation Committee believes that deference to the Chief Executive Officer's evaluation of such executives and his related recommendations is generally appropriate.

The Committee instead makes a determination of each executive's compensation based on consideration of all of these factors as well as the progress made with respect to our long-term goals and strategies.

GAAP vs. non-GAAP measures

As disclosed in our press releases regarding annual and quarterly earnings and other communications, we provide financial information using methods in addition to those prescribed by generally accepted accounting principles (GAAP), such as non-GAAP revenue, product revenue, net income, net income per diluted share, and product margin. Our non-GAAP revenue has historically eliminated the GAAP effects of acquisitions by adding back revenue related to deferred revenue revaluation. Non-GAAP net income includes the foregoing adjustment and also removes inventory fair value adjustments, expenses related to the amortization of acquired intangible assets, stock-based compensation, restructuring, certain expenses relating to completed acquisitions including compensation for post-combination services and business development charges, net of related income tax effects. Non-GAAP diluted net income per share also excludes these expenses as well as the related impact of all these adjustments on the provision for income taxes. Management regularly uses supplemental non-GAAP financial measures internally to understand, plan, manage, and evaluate its business and to make operating decisions. Throughout this Compensation Discussion and Analysis section, reference to revenue and EPS targets will be deemed to refer to non-GAAP measures.

Fiscal 2015 Compensation Decisions

Peer Group

For fiscal year 2015, our Compensation Committee reviewed compensation data for a group of small companies and for a group of larger companies, because the Company competes with both groups for employees and because there had been few direct comparison companies at the Company's then-current size. Those peer companies include the companies listed below, divided into companies that were smaller than NetScout based on revenue, net income, and number of employees and companies that were larger than NetScout based on the same criteria. The revenue and market capitalizations of all peer group companies generally fit within a range of one-third to three times that of NetScout.

In March 2014 and as part of its ongoing review, based on information provided by Pearl Meyer, the Compensation Committee approved a revised peer group for executive compensation purposes. The adoption of the peer group set out below was completed before the Committee and Board's review and approval of fiscal year 2015 Named Executive Officer base salary and bonus targets and was thus the operative group the Committee considered in considering fiscal year 2015 compensation amounts. This peer group continues to reflect NetScout's market for executive talent, and the selection criteria included similar industry/related technology and company size, as measured by annual revenue, market capitalization, revenue growth over one and three years and total stockholder return over one and three years. The peer group consists of the following companies:

Small Peer Group	Large Peer Group
Accelrys, Inc.	CommVaults Systems, Inc.
Broadsoft, Inc.	Ixia
Bottomline Technologies (de), Inc.	MicroStrategy, Inc.
Interactive Intelligence Group, Inc.	Pegasystems, Inc.
SolarWinds, Inc.	Riverbed Technology, Inc.
Sonus Networks, Inc.	TIBCO Software, Inc.
Synchronoss Technologies, Inc.	Tyler Technologies, Inc.

As has been the case in prior years, the Compensation Committee concluded for fiscal year 2015 that the peer group data and third party survey data confirmed that overall compensation for NetScout's executive officers at full plan achievement is generally competitive with that paid to executive officers at similar companies, with an emphasis on target bonus opportunities that if realized result in competitive compensation but if not will result in compensation below market median.

Base Salaries

None of our Named Executive Officers were granted base salary increases for fiscal year 2015, emphasizing our focus on pay for performance by tying earnings significantly to bonus realization.

Mr. Singhal's current base salary is $325,000 per year. Mr. Singhal entered into an employment agreement dated as of January 3, 2007, as amended, with a three-year term that automatically renews each year unless either party elects to terminate the agreement. The agreement provides for an annual base salary of at least $300,000, which base may be increased as determined by the Compensation Committee and approved by the Board and an annual bonus determined by the Compensation Committee in consultation with Mr. Singhal and also subject to Board approval.

Target Bonus Percentages

As noted, we typically put greater weight toward executives' short-term cash incentive compensation compared to base salary. In May 2014 the Board approved, based on the recommendation of the Compensation Committee, a fiscal year 2015 target bonus increase of $25,000 for the Chief Executive Officer and the Compensation Committee approved a fiscal year 2015 target bonus increase of $25,000 for each of the other Named Executive Officers.

Corporate Performance Achievement

For fiscal year 2015, the Board established an annual threshold EPS target and annual revenue and EPS goals, on a non-GAAP basis. The threshold target and actual goals are confidential and disclosure of the same could cause competitive harm to NetScout. In light of the significant revenue growth year over year required to achieve the 100% achievement level, the Compensation Committee believed at the time (the beginning of the fiscal year) that bonus achievement at 100% would be difficult, but not impossible. NetScout's fiscal year 2015 full year bonus achievement for all eligible employees, including executives, was 153%, primarily because the Company significantly exceeded its EPS target and approached its revenue target.

Although the Company-wide bonus accrual was 153%, the Chief Executive Officer determined that full bonus accrual for Named Executive Officers should be 140%, so that more funding would be available for non-executive employees. In other words, the Chief Executive Officer determined that less bonus pool funding should be allocated to his and other Named Executive Officers potential bonus payments, instead reserving those funds for additional payments to non-Named Executive Officers. The Compensation Committee made its decisions on Named Executive Officer compensation based on the somewhat smaller bonus pool for Named Executive Officers.

Individual Performance Achievement

The individual goals for fiscal year 2015 were adopted at the beginning of the fiscal year and are set forth below with respect to each applicable officer. To the extent individual goals include revenue, EPS, bookings, or other financial metrics, strategically sensitive information, or specific technical product information, the data has been omitted given its confidential nature.

The following lists the fiscal year 2015 individual performance goals which the Compensation Committee determined were largely achieved for each Named Executive Officer, and the Board determined was achieved for our Chief Executive Officer, with the understanding that all Named Executive Officers shared the corporate-wide financial goals. For all Named Executive Officers, the Compensation Committee also considered the ongoing development and execution of the Company's long-term growth strategy, which included the transformative acquisition of the Danaher Communications Business, and ongoing leadership throughout the acquisition and integration process to advance the transaction to a successful conclusion in July 2015 while achieving key near-term strategic, financial and operational objectives, as altered or deferred in some cases by the acquisition.

Specific levels of achievement are set out below.

Anil Singhal, CEO

- Developed extended strategic plan and organize Board Strategy Day to present, discuss, and approve the plan.

- Organized quarterly briefings with key departments to support Board education of Company strategy as well as interactions with the next level of management (below Section 16 Officers).
- Launch of entry into two specified markets (not disclosed here due to nature of information and effect on competition) by the second half of FY 2015 was deferred as a result of the Danaher Communications Business.

Michael Szabados (COO)

- Expanded market recognition by increasing external messaging relevance, consistency, and intensity to all external audiences. Conducted regular surveys to measure and report progress.
- Developed staffing model and infrastructure plan to achieve FY 2019 targets at industry leading productivity levels.
- Drove field enablement by building out dependable training, tool, and content delivery processes with built in quality assurance and feedback mechanisms within a specified time.
- Delivered major nGeniusONE capabilities completing certain functionality in release 5.3 within a specified time.

John Downing (SVP Worldwide Sales)

- Achieved greater than specified but undisclosed percentage growth in service providers and the Cable/MSO segments combined.
- Building sales strategic plan in support of our long term Company strategic plan was substantially accomplished but altered as a result of the acquisition of the Danaher Communications Business.
- Driving enterprise growth of greater than a certain undisclosed percentage through network performance management and application performance management selling focus, with organizational structure to increase APM selling effectiveness and design and implementation of sales management process to review APM+NPM activities and progress was not accomplished, in part due to change in corporate strategy.

Jean Bua (CFO)

- Developed IR strategy and capabilities to effectively convey the potential of our NetScout 3.0 strategy to the investment community. Coordinated investor messaging with marketing and employee messaging for complete alignment with the Company's direction and strategy. Delivered the new messaging at the May Investor Day in New York. Hired VP IR by end of first quarter.
- Continued the improvement in back office efficiency by progressing to "business intelligence" infrastructure. Developed information/metrics to be delivered along with comparisons and frequency.
- In conjunction with the business, prepared the financial plan for the next five years for presentation at the September board meeting.
- Continuing the improvement in back office efficiency by progressing to "business intelligence" infrastructure and developing/delivering information/metrics along with comparisons and frequency before the end of the fiscal year was altered and deferred as a result of the acquisition of the Danaher Communications Business.

Bonus Amounts

As discussed above, we substantially exceeded our annual EPS targets and approached our annual revenue targets, leading to a full year Company-wide bonus accrual of 153%, with the pool for Named Executive Officers set at 140% so as to reserve more funds for non-executive employees, as described in "Corporate Performance

Achievement/Bonus Accrual" above. In determining the bonus amounts for executive officers, the Compensation Committee considered our financial performance and each officer's non-financial individual goal achievement, experience, and responsibility.

For our Chief Executive Officer, the Compensation Committee considered the amount of incentive compensation that should be paid to him based on consideration of a number of factors that it deemed relevant to his performance in fiscal year 2015. In determining his bonus, the Compensation Committee considered our financial performance and his leadership, ongoing development and execution of the Company's strategy, and non-financial individual goal achievement, experience, and responsibility.

The Committee considered the level of the Company-wide bonus accrual, in light of the positive results achieved in several areas including:

- product revenue increase 16% year over year (GAAP and non-GAAP);
- total revenue increase 14% year over year (GAAP and non-GAAP);
- net income increase year over year 25% GAAP and 31% non-GAAP;
- operating margins at 21.3% GAAP and over 29.5% non-GAAP;
- the continued adoption of the flagship nGeniusOne product;
- continued market share gains in the service provider market;
- increasing traction in complementary packet flow switches; and
- ongoing innovation with the newly-patented Adaptive Session Intelligence technology.

Following review of our overall performance and Mr. Singhal's attainment of individual objectives, the Committee recommended to the Board that Mr. Singhal be granted a bonus at 140% of his full year $651,000 target bonus that had previously been set at the beginning of the year. Mr. Singhal's fiscal year 2015 bonus was $911,400.

For the other Named Executive Officers, following review of our overall performance which exceeded annual EPS and approached revenue targets set at the beginning of the year as previously discussed, accrual of the annual corporate-wide bonus pool at 153% of target, and the extent of each officer's attainment of individual objectives, the Compensation Committee granted bonuses to each of the other Named Executive Officers, other than Mr. Downing, at 140% of total eligible bonus. The total eligible bonuses for Mr. Szabados and Ms. Bua were $300,000 and $210,000, respectively. As noted before, the pool for Named Executive Officers was set at 140% so as to reserve more funds for non-executive employees. The total bonus amounts for all Named Executive Officers are provided in the Summary Compensation Table. The Compensation Committee believed this allocation was appropriate given the roughly comparable performances by such executive officers, mainly within a narrow range to avoid divisiveness and encourage teamwork, collaboration, and a cooperative working environment. For fiscal year 2015, as it had done in prior years, the Compensation Committee considered the appropriate balance between Mr. Downing's commission-based incentive and corporate bonus incentive that emphasizes the corporate goals that Mr. Downing was expected to achieve. Mr. Downing's sales targets for fiscal year 2015 represent confidential information, the disclosure of which would result in harm to our ability to compete. For fiscal year 2015, with respect to the corporate bonus incentive, based on review of his individual performance, the Compensation Committee granted a bonus to Mr. Downing at 100% of target, noting (i) that he did not fully achieve his performance goals, due in part to a change in corporate strategy, and (ii) that he had received commission payment under his sales plan. The total eligible bonus for Mr. Downing, not including commission, was $168,750.

Equity Awards

During fiscal year 2015 the Committee approved restricted stock unit grants to the Named Executive Officers, including the Chief Executive Officer, in an amount equal to 130,600 shares in the aggregate. All grants were made pursuant to the 2007 Plan and vest 25% on the first anniversary of the date of grant with the balance vesting in equal increments annually over the following three years.

The fiscal year 2015 equity awards to the executive officers including the Chief Executive Officer were determined based on numerous factors including existing levels of stock ownership, previous equity grants, vesting schedules, current stock price, place in overall compensation mix, and effectiveness of different elements of compensation in achieving the Company's compensation goals. The Committee also referred to internal guidelines for equity grants to officers. The guidelines, developed with a review of peer company practices, survey data, and the Committee's own assessment of reasonable grant amounts, are considered as just one part of the mix of information used to determine equity awards.

Based on the factors described above, the fiscal year 2015 equity awards for each Named Executive Officer, including Mr. Singhal, represented a percentage of the eligible equity amount provided by the guidelines (approximately the same percentage was used for each Named Executive Officer) and resulted in RSUs equal to the following shares of our common stock pursuant to our 2007 Plan. This table also reflects the anniversary grant that we awarded in December 2014, which was a Company-wide RSU award of 200 shares per employee in recognition of the Company's 30th anniversary, except for Mr. Singhal and except for China-based employees who were given cash equivalents. The anniversary grants are subject to our normal four-year vesting schedule.

Name	RSU Grant (shares)
Anil Singhal	50,000
Michael Szabados	30,200
Jean Bua	25,200
John W. Downing	25,200

The Compensation Committee believes that the foregoing annual grants were appropriate in furtherance of our philosophy that total executive compensation should be more heavily weighted toward long-term incentive compensation to ensure that the interests of our executives are aligned with those of our stockholders. In addition, the Compensation Committee felt it was important to ensure that Ms. Bua and Messrs. Szabados and Downing have a significant ongoing equity stake in NetScout so that each has appropriate incentives and has long-term interests are aligned with those of our stockholders.

Other Benefits

NetScout also maintains various broad-based employee benefit plans. Executive officers participate in these plans on the same terms as eligible, non-executive employees, subject to legal limits on the amounts that may be contributed or paid to executive officers under these plans. One exception to this broad-based eligibility is that executive officers at the vice president level and above are eligible for life insurance policies that provide for three times cash compensation (salary and bonus) up to a $1.5 million cap with evidence of insurability, which differs from the two times salary and bonus and $750,000 cap available to non-sales employees and two times salary and commission and $750,000 cap available to sales employees.

The Company also offers a 401(k) plan that allows all U.S. employees to invest in a wide array of funds on a pre-tax basis. The 401(k) plan allows U.S. employees to put aside the lesser of 80% of their eligible compensation or $18,000 (or $24,000 for individuals at least 50 years of age) for calendar year 2015. NetScout matches 50% of each employee's contribution up to 6% of such employee's annual salary. The matching amount vests 25% per year over four years. After four years of service, the employee match is 100% vested. Employees in the U.S. are eligible to participate on the 401(k) plan on date of hire.

Under his current employment agreement, Mr. Singhal is entitled to the following benefits: disability insurance of no less than 100% of base salary, paid vacation, group life insurance not to exceed $1.5 million, and NetScout's generally available medical, dental, and vision plans as well as any other benefits generally available to senior executives of NetScout. In addition, NetScout will reimburse Mr. Singhal for tax and estate planning and for leasing and maintaining a car.

Post-Termination Compensation

Mr. Singhal's employment agreement provides that if any of the following three events occur (1) NetScout terminates Mr. Singhal's employment for any reason other than due cause (as defined in the agreement), (2) Mr. Singhal terminates his employment for any reason at any time following the consummation of a sale of NetScout, or (3) upon the death or disability of Mr. Singhal, then Mr. Singhal, or his estate, is entitled to receive in a lump sum, a payment equal to the net present value of $16,208 per month for a period of seven years. If Mr. Singhal terminates his employment with NetScout for any reason prior to the consummation of a sale of NetScout, he is entitled to such lump sum payment for the period for which his severance benefits have vested (not to exceed seven years). Mr. Singhal will also receive continued health and dental benefits during such period. Mr. Singhal's severance benefits, including health and dental benefits, are fully vested, and the Company has projected its future payments for this unfunded obligation at approximately $1.6 million in the aggregate. Mr. Singhal's employment agreement was amended in May 2012 to update certain provisions with respect to the application of Section 409A of the Internal Revenue Code of 1986, as amended, or the Code, but such amendment did not affect any of the provisions described above.

In May 2012, NetScout entered into amended and restated severance agreements with its Named Executive Officers, other than its Chief Executive Officer. These agreements are intended to help NetScout retain key executives and to reinforce the continued attention and dedication of management in event of a change of control and to provide protection so that such executives can act in the best interests of NetScout without distraction. For each of the Named Executive Officers, the amended and restated severance agreements provide certain payments in the event that such officer is terminated without cause (as defined in the applicable agreement) or resigns for good reason (as defined in the applicable agreement) at any time prior to a change in control of NetScout (as defined in the applicable agreement) or within one year thereafter. In such event, such officer will receive 12 months of his or her then current salary, and, if such termination occurs after a change of control, such officer will also receive a prorated amount of his maximum annual target bonus, based on the months elapsed in such year that in any event will not be less than 50% of his or her maximum annual target bonus and accelerated vesting of any outstanding unvested equity awards under the 2007 Plan, or any successor thereto, that would have vested or become exercisable within one year of such termination. In January 2015, the Board approved amendments to such severance agreements to clarify that the acquisition of the Danaher Communications Business would not constitute a change of control of NetScout (as defined in the applicable agreement).

With respect to the severance agreement with Mr. Downing, if such termination occurs after a change of control, such payments will also include accrued but unpaid sales commissions plus a prorated amount of his maximum target sales commissions (without double counting for previously paid commissions) that in any event will not be less than 50% of his maximum target sales commissions.

Each of the amended and restated severance agreements listed above contain a one year initial term with one year automatic renewal terms unless NetScout or the respective executive officer elects not to renew the agreement.

The agreements also contain forfeiture provisions requiring repayment of severance amounts if it is ultimately determined that the executive officer committed certain prohibited conduct while employed by NetScout or materially breached any of the officer's agreements with NetScout.

Regulatory Requirements

Tax Deductibility of Executive Compensation

Under Section 162(m) of the Internal Revenue Code NetScout cannot deduct, for federal income tax purposes, compensation in excess of $1,000,000 paid to certain executive officers. This deduction limit does not apply to compensation that constitutes "qualified performance-based compensation" within the meaning of Section 162(m) of the Code and the regulations promulgated thereunder. While our Compensation Committee recognizes the potential benefit to NetScout's financial performance of the full deductibility of compensation, our Compensation Committee believes that compensating our executive officers in ways that best promote NetScout's corporate objectives are the more critical objective than fitting constraints imposed under Section 162(m).

Other Key Regulations Affecting Compensation Plans

Post-termination compensation is designed to minimize the effect of additional taxes imposed by Section 409A of the Code.

Management of Risk

Following review and discussion, the Compensation Committee believes that any risks arising from our compensation policies and practices for our employees will not have a material adverse effect on NetScout. In addition, the Compensation Committee believes that the mix and design of the elements of executive compensation do not encourage management to assume excessive risks. The considerations which led the Compensation Committee to this conclusion include the following:

- We provide executives with a reasonable base salary. We believe these base salary levels mitigate risk-taking behavior by providing reasonable predictability in the level of income earned by each executive and alleviating pressure on executives to focus exclusively on stock price performance to the detriment of other important business metrics.
- We use a mixture of compensation elements that is intended to discourage short-term risk taking. Further, the executive team overall has a long tenure and significant experience, enabling it to deal with business cycles.
- Short term incentives in the form of annual performance bonus payouts are generally established at 100% of the target amount, unless the Compensation Committee or the Board determines that extraordinary performance warrants a higher payout, a process that the Compensation Committee believes mitigates the likelihood that our executives will take excessive risks.
- Equity incentive awards are generally granted annually and generally vest over four years, so executives have a significant amount of unvested awards that could decrease significantly in value if our business is not managed for the long-term. As noted, there are Stock Holding Guidelines designed to reinforce that long-term view.
- We have a robust system of internal controls and a comprehensive compliance program, which includes extensive training of all employees, which we believe promotes a culture of ethical behavior and compliance, as well as an appropriate attitude toward risk-taking. The Compensation Committee retains discretion to adjust compensation based on adherence to our values and compliance with programs, among other things.

Report of Compensation Committee of the Board of Directors[2]

The Compensation Committee has reviewed the Compensation Discussion and Analysis portion of this proxy statement and discussed such section with management. Based on its review and discussions and its ongoing involvement with executive compensation matters, the Compensation Committee recommended to the Board that the CD&A portion of this proxy statement be included in NetScout's proxy statement and incorporated into NetScout's Annual Report on Form 10-K for the fiscal year ended March 31, 2015. This report is provided by the following independent directors, who comprise the Compensation Committee:

Joseph G. Hadzima, Chair
Victor A. DeMarines
Robert E. Donahue
Christopher Perretta

[2] The material in this report is not "soliciting material," is furnished to, but not deemed "filed" with, the SEC and is not deemed to be incorporated by reference in any filing of the Company under the Exchange Act, other than the Company's Annual Report on Form 10-K, where it shall be deemed to be "furnished," whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

Compensation Committee Interlocks and Insider Participation

None of Messrs. Hadzima, DeMarines, Donahue or Perretta was, during the past fiscal year, an officer or employee of the Company or any of our subsidiaries, was formerly an officer of the Company or any of our subsidiaries, or had any relationship with us requiring disclosure herein. During the past fiscal year, none of our executive officers served as:

- a member of the compensation committee (or other board committee performing equivalent functions or, in the absence of any such committee, the entire board of directors) of another entity, of whose executive officers served on our Compensation Committee;
- a director of another entity, one of whose executive officers served on our Compensation Committee; or
- a member of the compensation committee (or other board committee performing equivalent functions or, in the absence of any such committee, the entire board of directors) of another entity, one of whose executive officers served as one of our directors.

Transactions with Related Persons

The Company has a written policy with respect to "Related Persons Transactions." Except as specifically provided below, all "Related Person Transactions" require approval or ratification by either our Audit Committee (provided that the transaction involves terms comparable to terms that could be obtained from unrelated third parties), the majority of independent members of our Board, or, in the case of transactions that involve compensation, our Compensation Committee or a majority of our Board. Like other Company policies, our Policy with respect to Related Person Transactions is managed on a day to day basis by our management team, including our General Counsel, and to the extent necessary, related matters are discussed with our Board (or a committee thereof) or our outside counsel.

For NetScout, a "Related Person Transaction" is broadly defined as any transaction between NetScout and any Related Person (as defined below), including any transactions requiring disclosure under Item 404 of Regulation S-K under the Exchange Act, unless (i) such transaction is available to all of our employees generally, (ii) if such transaction, when aggregated with any other transactions with such person during such fiscal year, involves less than $5,000 or (iii) such transaction is carried out in the ordinary course of the Company's business after arms-length negotiation in which the Related Person is not involved.

A "Related Person" means:

i. a director or executive officer of NetScout, as well as any nominee for director proposed to be elected at the next annual meeting of stockholders;

ii. a stockholder owning in excess of five percent of NetScout (or its controlled affiliates);

iii. an immediate family member of the persons listed in i and ii above ("immediate family" as defined under Item 404 of Regulation S-K under the Securities Exchange Act of 1934); and

iv. an entity which is owned or controlled by someone listed in i, ii, or iii above, or an entity in which someone listed in i, ii, or iii above has a substantial ownership interest or control of such entity.

Our Board has determined that our Audit Committee is generally best suited to review and approve Related Person Transactions. If Audit Committee approval is not possible (because it involves terms that are not comparable to terms that could be obtained from unrelated third parties or because of logistical difficulties), or if a transaction involves compensation, such approval may be obtained as provided above. Such Related Person Transactions may be presented for approval or preliminarily entered into by our management subject to ratification by the applicable committee or our Board, provided that if ratification does not occur, our management is obliged to take all reasonable efforts to cancel or annul such transaction. Transactions with Related Persons other than our management cannot be entered into on a preliminary basis.

In determining whether or not to approve a Related Person Transaction, the applicable committee or our Board will also consider whether such transaction would affect the status of a member of our Board as an "independent director" as promulgated by the Securities and Exchange Commission, the Financial Industry Regulatory Authority, any exchange upon which our securities are traded, or any governmental or regulatory body exercising authority over us. If the result of any such Related Person Transaction is that a majority of our Board would no longer be deemed to be "independent directors" then such transaction will not be approved. Other than as described under "Employment and Other Agreements" and "Post Termination Compensation" above, the Company is not party to any Related Person Transactions with respect to the fiscal year ended March 31, 2015.

The following describes relationships arising out of the acquisition of the Danaher Communications Business and the election of Mr. Lico to NetScout's Board. On October 12, 2014, the Company entered into the Merger Agreement with Danaher, Potomac Holding LLC, a wholly-owned subsidiary of Danaher ("Newco"), RS Merger Sub I., Inc. and RS Merger Sub II, LLC. In addition, the Company, Danaher and Newco entered into a Separation and Distribution Agreement, dated as of October 12, 2014 (the "Distribution Agreement"), providing for the transfer by Danaher to Newco of certain assets and liabilities of the Danaher Communications Business, including Tektronix Communications, Arbor Networks and certain parts of Fluke Networks Enterprise, but excluding Danaher's data communications cable installation business and its communication service provider (field and test tools systems) business. As used herein, the term "Transactions" refers to the transactions contemplated by the Merger Agreement, Distribution Agreement and any other documents referred to in or contemplated by the Merger Agreement and the Distribution Agreement.

On July 14, 2015 ("Closing Date"), the Transactions were consummated pursuant to the Merger Agreement and the Distribution Agreement. Pursuant to the Merger Agreement, each issued and outstanding Newco common unit was converted into the right to receive one share of NetScout common stock and the Danaher Communications Business became a subsidiary of NetScout. The Company issued approximately 62,500,000 shares of its common stock to the former holders of Newco common units, together with cash in lieu of fractional shares.

In connection with the Transactions, James A. Lico was elected to NetScout's board of directors as a Class I director, and, pursuant to the Merger Agreement has been nominated for re-election at the Annual Meeting. Mr. Lico is Danaher's Executive Vice President and is a holder of Danaher common stock. In the Transactions, Mr. Lico participated in the exchange offer commenced by Danaher on May 14, 2015 (the "Exchange Offer") on the same terms applicable to all other Danaher stockholders. Based on the closing prices of NetScout and Danaher common stock on July 13, 2015 (the last trading day prior to the closing of the Transactions), Mr. Lico tendered $183,128.00 worth of Danaher common stock and received $184,228.66 worth of NetScout common stock, plus cash in lieu of fractional shares, in the Exchange Offer. In connection with the Transactions, the Company entered into or assumed obligations under various ancillary agreements with Danaher, including a Commercial Lease Agreement and Transition Services Agreement. Under the Commercial Lease Agreement, in addition to paying all costs and expenses relating to the premises, the Company is obligated to pay Danaher or one of its subsidiaries base rent during the first two lease years of $984,000 per annum and during the third lease year, of $3,000,000 per annum. The Transition Services Agreement provides for payment for services on a schedule-by-schedule basis, and the terms and costs of such services vary.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our directors, executive officers, and holders of more than 10% of our common stock, or collectively, Reporting Persons, to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock. Such persons are required by SEC regulations to furnish us with copies of all such filings. Based on our review of the copies of such filings received by us with respect to the fiscal year ended March 31, 2015 and written representations from certain Reporting Persons, we believe that all Section 16(a) filing requirements were complied with on a timely basis during the fiscal year ended March 31, 2015, with the exception of Jean A. Bua, Michael Szabados, and John Downing, who each filed a Form 4 on April 9, 2015 reporting respective grants of 200 RSUs occurring on December 11, 2014.

AUDITORS FEES AND SERVICES

The following sets forth the aggregate fees billed to us by our independent registered public accounting firm during the fiscal years ended March 31, 2015 and 2014:

Audit Fees

Fees for audit services were approximately $740,526 and $702,400 for the fiscal years ended March 31, 2015 and 2014, respectively, including fees associated with the integrated audit of the consolidated financial statements included in our Annual Report on Form 10-K, the reviews of our Quarterly Reports on Form 10-Q, and statutory audits required of our foreign subsidiaries.

Audit-Related Fees

Fees for audit-related services were approximately $501,893 and $16,500 for the fiscal years ended March 31, 2015 and 2014, respectively, including fees associated with services related to review of accounting for significant transactions.

Tax Fees

Total fees for tax services were approximately $92,520 and $134,278 for the fiscal years ended March 31, 2015 and 2014, respectively, consisting of tax compliance and preparation fees and other domestic and international tax advisory services.

All Other Fees

Total all other fees were approximately $1,123,650 and $41,000 for the fiscal years ended March 31, 2015 and March 31, 2014, respectively, consisting of fees related to accounting due diligence, training and research services.

Policy on Audit Committee Pre-Approval of Audit and Non-Audit Services

Our Audit Committee has implemented procedures under our Audit Committee Pre-Approval Policy for Audit and Non-Audit Services, or the Pre-Approval Policy, to ensure that all audit and permitted non-audit services provided to us are pre-approved by the Audit Committee. Specifically, the Audit Committee pre-approves the use of our independent registered public accounting firm for specific audit and non-audit services within approved monetary limits. If a proposed service has not been pre-approved pursuant to the Pre-Approval Policy, then it must be specifically pre-approved by our Audit Committee before it may be provided by our independent registered public accounting firm. Any pre-approved services exceeding the pre-approved monetary limits require specific approval by our Audit Committee. The Audit Committee delegated authority to management to approve expense items up to $50,000 provided all such amounts are reported to the Audit Committee. All of the audit-related, tax, and all other services provided by our independent registered public accounting firm in fiscal years 2015 and 2014 were approved by the Audit Committee by means of specific pre-approvals or pursuant to the procedures contained in the Pre-Approval Policy. All non-audit services provided in fiscal years 2015 and 2014 were reviewed with our Audit Committee, which concluded that the provision of such services by our independent registered public accounting firm was compatible with the maintenance of that firm's independence in the conduct of its auditing functions.

EXPENSES AND SOLICITATION

We will bear the cost of solicitation of proxies, and, in addition to soliciting stockholders by mail through our regular employees, we may request banks, brokers, and other custodians, nominees, and fiduciaries to solicit their customers who have our stock registered in the names of a nominee, and, if so, will reimburse such banks, brokers, and other custodians, nominees, and fiduciaries for their reasonable out-of-pocket costs. Solicitation by our officers and employees may also be made of some stockholders in person or by mail, telephone, or telegraph following the original solicitation. We may retain a proxy solicitation firm to assist in the solicitation of proxies. We will bear all reasonable solicitation fees and expenses if such a proxy solicitation firm is retained.

Appendix A

NETSCOUT SYSTEMS, INC.

2007 EQUITY INCENTIVE PLAN

Effective Date of Plan Adoption: September 12, 2007

Termination Date: July 5, 2025

1 Purpose and Eligibility

The purpose of this 2007 Equity Incentive Plan (the "Plan") of NetScout Systems, Inc. (the "Company") is to provide restricted stock units, stock, stock options, and other equity interests in the Company (each an "Award") to employees, officers, directors, consultants and advisors of the Company and its Subsidiaries, all of whom are eligible to receive Awards under the Plan. Any person to whom an Award has been granted under the Plan is called a "Participant". Additional definitions are contained in Section 9.

2 Administration

2.1 *Administration by Board of Directors*. The Plan will be administered by the Board of Directors of the Company (the "Board"). The Board, in its sole discretion, shall have the authority to grant and amend Awards, to adopt, amend and repeal rules relating to the Plan and to interpret and correct the provisions of the Plan and any Award. All decisions by the Board shall be final and binding on all interested persons. Neither the Company nor any member of the Board shall be liable for any action or determination relating to the Plan.

2.2 *Appointment of Committees*. To the extent permitted by applicable law, the Board may delegate any or all of its powers under the Plan to one or more committees or subcommittees of the Board (a "Committee"). All references in the Plan to the "Board" shall mean such Committee or the Board.

2.3 *Delegation to Executive Officers*. To the extent permitted by applicable law, the Board may delegate to one or more executive officers of the Company the power to grant Awards and exercise such other powers under the Plan as the Board may determine, *provided that* the Board shall fix the maximum number of Awards to be granted and the maximum number of shares issuable to any one Participant pursuant to Awards granted by such executive officers.

3 Stock Available for Awards

3.1 *Type of Security; Number of Shares*. Subject to adjustment under Section 3.3, the aggregate number of shares of common stock of the Company (the "Common Stock") that may be issued pursuant to the Plan is 18,656,693 shares, plus any shares that become available for subsequent issuance under the Plan from time to time pursuant to Section 3.1.1 (the "Returning Shares"). Shares issued under the Plan may consist in whole or in part of authorized but unissued shares or treasury shares. Subject to Sections 3.1.1 and 3.1.2, the number of shares available for issuance under the Plan shall be reduced by: (i) one share for each share of Common Stock issued pursuant to (A) an Option with respect to which the exercise price is at least 100% of the fair market value of the underlying Common Stock on the date of grant, or (B) a stock appreciation right with respect to which the strike price is at least 100% of the fair market value of the underlying Common Stock on the date of grant; and (ii) (A) one share for each share of Common Stock issued pursuant to an Award other than an Option or stock appreciation right described in Section 3.1(i) above, which Award was granted prior to March 31, 2011 and (B) two shares for each share of Common Stock issued pursuant to an Award other than an Option or stock appreciation right described in Section 3.1(i) above, which Award was granted on or after March 31, 2011.

3.1.1 *Shares Available for Subsequent Issuance*. If any Award (i) expires or otherwise terminates without all of the shares covered by such Award having been issued or (ii) is settled in cash (*i.e.*, the Participant receives cash rather than stock), such expiration, termination or settlement shall not reduce (or otherwise offset) the number of shares of Common Stock that may be available for issuance pursuant to the Plan. If any shares of Common Stock issued pursuant to an Award are forfeited back to the Company because of the failure to meet a contingency or condition required to vest such shares in the Participant, then the shares that are forfeited shall revert to and again become available for issuance under the Plan. To the extent there is issued a share of Common Stock pursuant to an Award other than an Option or stock appreciation right described in Section 3.1(i) above and such share of Common Stock becomes available for issuance under the Plan pursuant to this Section 3.1.1, then the number of shares of Common Stock available for issuance under the Plan shall increase by one share with respect to shares that become available for issuance prior to March 31, 2011 and two shares with respect to shares that become available for issuance on or after March 31, 2011. Also, each share reacquired or withheld (or not issued) by the Company pursuant to Section 8.6 in connection with an Award other than an Option or stock appreciation right described in Section 3.1(i) above shall again become available for issuance under the Plan and shall increase the number of shares of Common Stock available for issuance under the Plan by one share with respect to shares that become available for issuance prior to March 31, 2011 and two shares with respect to shares that become available for issuance on or after March 31, 2011.

3.1.2 *Shares Not Available for Subsequent Issuance*. If any shares are reacquired or withheld (or not issued) by the Company to satisfy the exercise or strike price of an Option or stock appreciation right described in Section 3.1(i) above (including any shares subject to such Option or stock appreciation right that are not delivered to a Participant because such Option or stock appreciation right is exercised through a reduction of shares subject to such Option or stock appreciation right (i.e., "net exercised")), the number of shares that are reacquired or withheld (or not issued) shall no longer be available for issuance under the Plan. Also, any shares reacquired or withheld (or not issued) by the Company pursuant to Section 8.6 in connection with an Option or stock appreciation right described in Section 3.1(i) above shall no longer be available for issuance under the Plan. For clarification, however, each share reacquired or withheld (or not issued) by the Company pursuant to Section 8.6 in connection with an Award other than an Option or stock appreciation right described in Section 3.1(i) above shall again become available for issuance under the Plan and shall increase the number of shares of Common Stock available for issuance under the Plan as described in Section 3.1.1 above. In addition, any shares repurchased by the Company on the open market with the proceeds of the exercise or strike price of an Option or stock appreciation right described in Section 3.1(i) above shall not be available for issuance under the Plan.

Notwithstanding the foregoing, in no event will the cumulative number of shares that may be issued under the Plan exceed 18,656,693 shares, plus the Returning Shares.

3.2 *Per-Participant Limit*. Subject to adjustment under Section 3.3, no Participant may be granted Awards during any one fiscal year of the Company with respect to more than 500,000 shares of Common Stock.

3.3 *Adjustment to Common Stock*. In the event of any stock split, stock dividend, recapitalization, reorganization, merger, consolidation, combination, exchange of shares, liquidation, spin-off, split-up, or other similar change in capitalization or event (an "Extraordinary Capitalization Event"), (i) the number and class of securities available for Awards under the Plan and the per-Participant share limit, (ii) the number and class of securities, vesting schedule and exercise price per share subject to each outstanding Option, (iii) the repurchase price per security subject to repurchase, and (iv) the terms of each other outstanding stock-based Award shall be adjusted (or substituted Awards may be made) by the Board in a proportionate and equitable manner to the extent that such Extraordinary Capitalization Event increases or decreases the actual outstanding shares of Common Stock as of immediately prior to such Extraordinary Capitalization Event.

4 Stock Options

4.1 *General*. The Board may grant options to purchase Common Stock (each, an "Option") and determine the number of shares of Common Stock to be covered by each Option, the exercise price of each Option and the conditions and limitations applicable to the exercise of each Option and the Common Stock issued upon the exercise of each Option, including vesting provisions, repurchase provisions and restrictions relating to applicable federal or state securities laws, as it considers advisable.

4.2 *Incentive Stock Options*. An Option that the Board intends to be an "incentive stock option" as defined in Section 422 of the Code (an "Incentive Stock Option") shall be granted only to employees of the Company or a Subsidiary and shall be subject to and shall be construed consistently with the requirements of Section 422 of the Code. The Board and the Company shall have no liability if an Option or any part thereof that is intended to be an Incentive Stock Option does not qualify as such. An Option or any part thereof that does not qualify as an Incentive Stock Option is referred to herein as a "Nonqualified Stock Option".

4.3 *Exercise Price*. The Board shall establish the exercise price (or determine the method by which the exercise price shall be determined) at the time each Option is granted and specify it in the applicable option agreement; provided that the exercise price shall not be less than the fair market value of the Common Stock on the date of grant. The exercise price with respect to an Incentive Stock Option granted to an employee who at the time of grant owns (directly or under the attribution rules of Section 424(d) of the Code) stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any Affiliate shall be at least 110% of the fair market value of the Common Stock on the date of grant.

4.4 *Duration of Options*. Each Option shall be exercisable at such times and subject to such terms and conditions as the Board may specify in the applicable option agreement; provided that no Option shall expire later than 10 years from its date of grant, and no Incentive Stock Option granted to an employee who at the time of grant owns (directly or under the attribution rules of Section 424(d) of the Code) stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any Affiliate shall expire later than 5 years from its date of grant.

4.5 *Exercise of Option*. Options may be exercised only by delivery to the Company of a written notice of exercise signed by the proper person together with payment in full as specified in Section 4.6 for the number of shares for which the Option is exercised.

4.6 *Payment Upon Exercise*. Common Stock purchased upon the exercise of an Option shall be paid for by one or any combination of the following forms of payment:

4.6.1 by check payable to the order of the Company;

4.6.2 except as otherwise explicitly provided in the applicable option agreement, and only if the Common Stock is then publicly traded, delivery of an irrevocable and unconditional undertaking by a creditworthy broker to deliver promptly to the Company sufficient funds to pay the exercise price, or delivery by the Participant to the Company of a copy of irrevocable and unconditional instructions to a creditworthy broker to deliver promptly to the Company cash or a check sufficient to pay the exercise price; or

4.6.3 to the extent explicitly provided in the applicable option agreement and not otherwise prohibited by applicable law, by (x) delivery of shares of Common Stock owned by the Participant valued at fair market value (as determined by the Board or as determined pursuant to the applicable option agreement), (y) delivery of a promissory note of the Participant to the Company (and delivery to the Company by the Participant of a check in an amount equal to the par value of the shares purchased), or (z) payment of such other lawful consideration as the Board may determine.

4.7 *No Repricing or Cancellation and Re-Grant of Awards*. Other than in connection with a change in the Company's capitalization (as described in Section 3.3), (i) the exercise price of an Option or the strike price of a stock appreciation right may not be reduced, and (ii) no Option or stock appreciation right that has an exercise price or strike price greater than the then-current fair market value of the Common Stock may be cancelled in exchange for cash or other Awards under the Plan, in each case unless the stockholders of the Company have approved such an action within 12 months prior to such an event.

5 Restricted Stock

5.1 *Grants*. The Board may grant Awards entitling recipients to acquire shares of Common Stock, subject to (i) delivery to the Company by the Participant of a check in an amount at least equal to the par value of the shares purchased, and (ii) the right of the Company to repurchase all or part of such shares at their issue price or other stated or formula price from the Participant in the event that conditions specified by the Board in the applicable Award are not satisfied prior to the end of the applicable restriction period or periods established by the Board for such Award (each, a "Restricted Stock Award").

5.2 *Terms and Conditions*. The Board shall determine the terms and conditions (or provide for no conditions) of any such Restricted Stock Award. Any stock certificates issued in respect of a Restricted Stock Award shall be registered in the name of the Participant and, unless otherwise determined by the Board, deposited by the Participant, together with a stock power endorsed in blank, with the Company (or its designee). After the expiration of the applicable restriction periods, the Company (or such designee) shall deliver the certificates no longer subject to such restrictions to the Participant or, if the Participant has died, to the beneficiary designated by a Participant, in a manner determined by the Board, to receive amounts due or exercise rights of the Participant in the event of the Participant's death (the "Designated Beneficiary"). In the absence of an effective designation by a Participant, Designated Beneficiary shall mean the Participant's estate.

6 Restricted Stock Units

The Board may grant Awards entitling recipients to receive shares of Common Stock (each, a "Restricted Stock Unit Award"), subject to any terms and conditions established for such Awards. The Board shall determine the terms and conditions (or provide for no conditions) of any such Restricted Stock Unit Award and such terms and conditions will be reflected in the applicable Restricted Stock Unit Award agreement.

7 Other Stock-Based Awards

The Board shall have the right to grant other Awards based upon the Common Stock having such terms and conditions as the Board may determine, including, without limitation, the grant of shares based upon certain conditions, the grant of securities convertible into Common Stock and the grant of stock appreciation rights, phantom stock awards, or other stock units. Any stock appreciation rights granted under the Plan will have an exercise price not less than the fair market value of the Common Stock on the date of grant and will have a maximum term of ten years from the date of grant.

8 General Provisions Applicable to Awards

8.1 *Transferability of Awards*.

8.1.1 Except as the Board may otherwise determine or provide in an Award, Awards shall not be sold, assigned, transferred, pledged or otherwise encumbered by the person to whom they are granted, either voluntarily or by operation of law, except by will or the laws of descent and distribution, and, except as set forth in Section 8.1.2 below, during the life of the Participant, shall be exercisable only by the Participant. An Award may not be transferred for consideration. References to a Participant, to the extent relevant in the context, shall include references to authorized transferees.

8.1.2 During the life of the Participant, an Option shall be exercisable only by him, by a conservator or guardian duly appointed for him by reason of his incapacity or by the person appointed by the Participant in a durable power of attorney acceptable to the Company's counsel. Notwithstanding anything to the contrary in this

Section 8.1, the Board may in its discretion permit a Participant who has received a Nonqualified Stock Option to transfer the Nonqualified Stock Option to a member of the Immediate Family (as hereinafter defined) of the Participant, to a trust solely for the benefit of the Participant and the Participant's Immediate Family or to a partnership or limited liability company whose only partners or members are the Participant and members of the Participant's Immediate Family. "Immediate Family" shall mean, with respect to any Participant, the Participant's child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law, and shall include adoptive relationships.

8.2 *Documentation*. Each Award under the Plan (other than a grant of stock with no restrictions) shall be evidenced by a written instrument in such form as the Board shall determine or as executed by an officer of the Company pursuant to authority delegated by the Board. Each Award may contain terms and conditions in addition to those set forth in the Plan *provided that* such terms and conditions do not contravene the provisions of the Plan.

8.3 *Board Discretion*. The terms of each type of Award need not be identical, and the Board need not treat Participants uniformly.

8.4 *Termination of Status*. The Board shall determine the effect on an Award of the disability, death, retirement, authorized leave of absence or other change in the employment or other status of a Participant and the extent to which, and the period during which, the Participant, or the Participant's legal representative, conservator, guardian or Designated Beneficiary, may exercise rights under the Award.

8.5 *Acquisition of the Company*.

8.5.1 *Consequences of an Acquisition*.

8.5.1.A Unless otherwise expressly provided in the applicable Award, upon the occurrence of an Acquisition, the Board or the board of directors of the surviving or acquiring entity (as used in this Section 8.5.1.A, also the "Board") shall, as to outstanding Awards (on the same basis or on different bases, as the Board shall specify), make appropriate provision for the continuation of such Awards by the Company or the assumption of such Awards by the surviving or acquiring entity and by substituting on an equitable basis for the shares then subject to such Awards either (a) the consideration payable with respect to the outstanding shares of Common Stock in connection with the Acquisition, (b) shares of stock of the surviving or acquiring entity or (c) such other securities as the Board deems appropriate, the fair market value of which (as determined by the Board in its sole discretion) shall not materially differ from the fair market value of the shares of Common Stock subject to such Awards immediately preceding the Acquisition. In addition to or in lieu of the foregoing, with respect to outstanding Options, the Board may, upon written notice to the affected optionees, (x) provide that one or more Options must be exercised, to the extent then exercisable or to become exercisable as a result of the Acquisition, within a specified number of days of the date of such notice, at the end of which period such Options shall terminate or (y) terminate one or more Options in exchange for a cash payment equal to the excess of the fair market value (as determined by the Board in its sole discretion) of the shares subject to such Options (to the extent then exercisable or to become exercisable as a result of the Acquisition) over the exercise price thereof.

8.5.1.B An "Acquisition" shall mean the consummation of any of the following events: (x) any merger or consolidation after which the voting securities of the Company outstanding immediately prior thereto represent (either by remaining outstanding or by being converted into voting securities of the surviving or acquiring entity) less than 50% of the combined voting power of the voting securities of the Company or such surviving or acquiring entity outstanding immediately after such event; (y) any sale of all or substantially all of the assets or capital stock of the Company (other than in a spin-off or similar transaction); or (z) any other acquisition of the business of the Company, as determined by the Board, *provided, however*, that no Acquisition (or any analogous term) shall be deemed to occur upon announcement or commencement of a tender offer or upon a "potential" takeover or upon stockholder approval of a merger or other transaction, in each case without a requirement that the Acquisition actually occur.

8.5.2 *Assumption of Options Upon Certain Events*. In connection with a merger or consolidation of an entity with the Company or the acquisition by the Company of property or stock of an entity, the Board may grant Awards under the Plan in substitution for stock and stock-based awards issued by such entity or an affiliate thereof. The substitute Awards shall be granted on such terms and conditions as the Board considers appropriate in the circumstances.

8.6 *Withholding*. Each Participant shall pay to the Company or an employing Subsidiary, or make provisions satisfactory to the Company or an employing Subsidiary for payment of, any taxes required by law to be withheld in connection with Awards to such Participant no later than the date of the event creating the tax liability. The Board may allow Participants to satisfy such tax obligations in whole or in part by transferring shares of Common Stock, including shares retained from the Award creating the tax obligation, valued at their fair market value (as determined by the Board or as determined pursuant to the applicable option agreement) to the extent permitted by law; provided, however, that payment of withholding obligation in the form of shares shall not be made with respect to an amount in excess of the minimum required withholding. The Company or an employing Subsidiary may, to the extent permitted by law, deduct any such tax obligations from any payment of any kind otherwise due to a Participant.

8.7 *Amendment of Awards*. Subject to Section 4.7, the Board may amend, modify or terminate any outstanding Award including, but not limited to, substituting therefor another Award of the same or a different type, changing the date of exercise or realization, and converting an Incentive Stock Option to a Nonqualified Stock Option; provided that the Participant's consent to such action shall be required unless the Board determines that the action, taking into account any related action, would not materially and adversely affect the Participant. In no event, however, shall an Option or stock appreciation right be exercised after the expiration of ten years from the date of grant (or five years from the date of grant, with respect to any Incentive Stock Option granted to an employee who at the time of grant owns (directly or under the attribution rules of Section 424(d) of the Code) stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any Affiliate).

8.8 *Conditions on Delivery of Stock*. The Company will not be obligated to deliver any shares of Common Stock pursuant to the Plan or to remove restrictions from shares previously delivered under the Plan until (i) all conditions of the Award have been met or removed to the satisfaction of the Company, (ii) in the opinion of the Company's counsel, all other legal matters in connection with the issuance and delivery of such shares have been satisfied, including any applicable securities laws and any applicable stock exchange or stock market rules and regulations, and (iii) the Participant has executed and delivered to the Company such representations or agreements as the Company may consider appropriate to satisfy the requirements of any applicable laws, rules or regulations.

8.9 *Acceleration*. The Board may at any time provide that any Options shall become immediately exercisable in full or in part, that any Restricted Stock Awards shall be free of some or all restrictions, or that any other stock-based Awards may become exercisable in full or in part or free of some or all restrictions or conditions, or otherwise realizable in full or in part, as the case may be, despite the fact that the foregoing actions may (i) cause the application of Sections 280G and 4999 of the Code if a change in control of the Company occurs, or (ii) disqualify all or part of the Option as an Incentive Stock Option.

8.10 *Awards to Non-United States Persons*. Awards may be made to Participants who are foreign nationals or employed outside the United States on such terms and conditions different from those specified in the Plan as the Board considers necessary or advisable to achieve the purposes of the Plan or to comply with applicable laws. The Board shall have the right to amend the Plan, consistent with its authority to amend the Plan as set forth in Section 9.5, to obtain favorable tax treatment for such Participants, and any such amendments shall be evidenced by an Appendix to the Plan. The Board may delegate this authority to a Committee thereof.

9 Miscellaneous

9.1 *Definitions*.

9.1.1 “Affiliate” means, at the time of determination, any “parent” or “subsidiary” of the Company as such terms are defined in Rule 405 promulgated under the Securities Act. The Board will have the authority to determine the time or times at which “parent” or “subsidiary” status is determined within the foregoing definition.

9.1.2 “Company,” for purposes of eligibility under the Plan, shall include any present or future subsidiary corporations of NetScout Systems, Inc., as defined in Section 424(f) of the Code (a “Subsidiary”), and any present or future parent corporation of NetScout Systems, Inc., as defined in Section 424(e) of the Code. For purposes of Awards other than Incentive Stock Options, the term “Subsidiary” shall include any other business venture in which the Company has a direct or indirect significant interest, as determined by the Board in its sole discretion.

9.1.3 “Code” means the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder.

9.1.4 “employee” for purposes of eligibility under the Plan shall include a person to whom an offer of employment has been extended by the Company.

9.1.5 “Exchange Act” means the Exchange Act of 1934, as amended.

9.2 *No Right To Employment or Other Status*. No person shall have any claim or right to be granted an Award, and the grant of an Award shall not be construed as giving a Participant the right to continued employment or any other relationship with the Company. The Company expressly reserves the right at any time to dismiss or otherwise terminate its relationship with a Participant free from any liability or claim under the Plan.

9.3 *No Rights As Stockholder*. Subject to the provisions of the applicable Award, no Participant or Designated Beneficiary shall have any rights as a stockholder with respect to any shares of Common Stock to be distributed with respect to an Award until becoming the record holder thereof.

9.4 *Effective Date and Term of Plan*. The Plan shall become effective on the date on which it is adopted by the stockholders of the Company. No Awards shall be granted under the Plan after July 5, 2025, but Awards previously granted may extend beyond that date.

9.5 *Amendment of Plan*. The Board may amend, suspend or terminate the Plan or any portion thereof at any time; *provided, however*, that without approval of the Company’s stockholders there shall be no: (i) increase in the total number of shares covered by the Plan, except by operation of the provisions of Section 3.3, or the aggregate number of shares of Common Stock that may be issued to any single person in a period; (ii) change in the class of persons eligible to receive Awards under the Plan; or (iii) other change in the Plan that requires stockholder approval under applicable law or stock exchange rules.

9.6 *Section 409A of the Internal Revenue Code*. The Awards granted pursuant to the Plan are intended to avoid the potential adverse tax consequences to Participants of Section 409A of the Code, and the Board may in its sole discretion make such modifications to any Award agreement pursuant to the Plan as it deems necessary or advisable to avoid such adverse tax consequences.

9.7 *Governing Law*. The provisions of the Plan and all Awards made hereunder shall be governed by and interpreted in accordance with the laws of Delaware, without regard to any applicable conflicts of law.

9.8 *Use of Proceeds*. The proceeds from the sale of Common Stock pursuant to Awards shall constitute general funds of the Company.

9.9 *Section 16 Matters*. With respect to persons subject to Section 16 of the Exchange Act (“Insiders”), transactions under the Plan are intended to comply with all applicable conditions of Rule 16b-3 or its successor under the Exchange Act. To the extent any provision of the Plan or action by the Board, or any Committee thereof, fails to so comply, it shall be deemed to be modified so as to be in compliance with such Rule or, if such modification is not possible, it shall be deemed to be null and void, to the extent permitted by law and deemed advisable by the Board.

NETSCOUT™

2015 Annual Report
on Form 10-K

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

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended March 31, 2015

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from___________to___________

Commission file number 0000-26251

NETSCOUT SYSTEMS, INC.
(Exact name of registrant as specified in its charter)

Delaware	**04-2837575**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**

310 Littleton Road, Westford, MA 01886
(978) 614-4000

Securities registered pursuant to Section 12(b) of the Act:	**Name of each exchange on which registered: NASDAQ Global**
Common Stock, $0.001 Par value	**Select Market**

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ☒ NO ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES ☐ NO ☒

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☒ NO ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES ☒ NO ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ☐ NO ☒

The aggregate market value of common stock held by non-affiliates of the registrant as of September 30, 2014 (based on the last reported sale price on the Nasdaq Global Select Market as of such date) was approximately $1,763,327,709. As of May 13, 2015, there were 40,761,729 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for the fiscal year 2015 Annual Meeting of Stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K. Except as expressly incorporated by reference, the proxy statement is not deemed to be part of this report.

NETSCOUT SYSTEMS, INC.

FORM 10-K

FOR THE FISCAL YEAR ENDED MARCH 31, 2015
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PART I

Item 1. Business

Overview

We are an industry leader for advanced network, application and service assurance solutions, providing high-quality performance analytics that help enterprise, government and service provider customers proactively manage service delivery and identify emerging performance problems. Our offerings help customers around the world quickly resolve technology issues that cause business disruptions or negatively impact the user experience. We design, develop, manufacture, market, license, sell and support these products in integrated hardware and software solutions that are used by commercial enterprises, large governmental agencies and telecommunication service providers in some of the world's largest, most demanding and complex internet protocol (IP) based service delivery environments.

We have been a technology innovator in the three-plus decades since our founding in 1984. Our solutions continue to change how organizations manage and optimize the delivery of business applications and services and assure user experience across global IP networks. We have continually enhanced and expanded our product portfolio to meet the needs of organizations by providing solutions to manage dynamic network and application environments and by improving user experience by providing high-value analytics that help validate and assure service availability, quality and reliability. Our solutions are based on a patented Adaptive Service Intelligence™ (ASI) technology which uses traffic data to provide important service metrics related to network, application, server, database, and user communities performance in real-time.

Our solutions are intended to help users in various roles within enterprises, government agencies and service providers to: quickly analyze data, achieve real-time visibility into and intelligence about their organization's operations, identify service delivery issues early, improve service levels, reduce operational costs, mitigate security risks, and drive better business decisions. By providing a highly scalable and flexible real-time service delivery management platform, our customers are able to optimize the performance of their IP-based networks and the applications and services that run across them, using our analytics to proactively identify and resolve potential issues before users are impacted. As a result, our customers are able to maximize their return on investment and mitigate a myriad of risks associated with unreliable service delivery and poor user experience. Our value proposition to our customers is helping them to manage their complex network and IT infrastructures to achieve their business and financial objectives.

Our mission is to enable IT groups and service providers to realize maximum benefit with minimal risk from technological advances, like IP convergence, network function virtualization (NFV), software defined networking (SDN), virtualization, cloud, mobility, bring your own device (BYOD), web, and the scale of the evolving Internet of Things (IoT) by managing the inherent complexity in a cost-effective manner. Our Adaptive Service Intelligence (ASI) technology has the potential of not only expanding our leadership in the network performance management (NPM) and application performance management (APM) space, but also has potential to extend our reach into new adjacent markets such as cyber security and business intelligence.

Many of the largest service providers, cloud-based businesses and enterprise customers rely on us to assure service delivery and a high-quality experience for their end users. Our customers are in just about every vertical market including financial, health care, utilities, internet, manufacturing, retail, and transportation, as well as service providers and major government agencies. We are a market leader in helping service providers get a return on their 4G/LTE investment by providing them with the intelligence they need about a range of important aspects of service delivery from handset performance on their networks and subscriber preferences to network traffic trends and overall network speed.

We have three primary customer groups; enterprise customers, service provider customers and government customers. Within the enterprise and government segments, our solutions support a wide-range of enterprise IT operations and management organizations including network operations, application managers, network operations centers, network engineering, security operations and service delivery teams. Within the service provider segment, our solutions support a broad range of operational users including network operations, group network engineering, service operations, application groups, customer care, marketing, chief technology officers and advanced engineering groups.

We market and distribute our products globally through our own direct sales force and through strategic channel partners that include distributors, value added resellers and systems integrators. For our enterprise customers, we focus on the Global 5000, which includes diverse industries such as financial, healthcare, manufacturing, retail, technology, utilities, high-tech and education. Our government customers include domestic agencies of federal, state and local governments as well as international government agencies. In the service provider customer group, we sell to mobile operators, wireline operators and cable multi-service operators globally.

We have a single operating segment and substantially all of our identifiable assets are located in the United States. Financial information about our operating segment and geographic areas is presented in Item 7, Management Discussion and Analysis and Note 18 of our Notes to Consolidated Financial Statements.

On October 12, 2014, NetScout, Danaher Corporation (Danaher), Potomac Holding LLC, a wholly-owned subsidiary of Danaher (Newco), RS Merger Sub I, Inc., a wholly-owned subsidiary of the NetScout (Merger Sub) and RS Merger Sub II, LLC, a wholly-owned subsidiary of NetScout (Merger Sub II and, together with Merger Sub, the Merger Subs), entered into an Agreement and Plan of Merger and Reorganization (the Merger Agreement) pursuant to which NetScout will acquire the communications group business of Danaher conducted under the brands Tektronix Communications, Fluke Networks and Arbor Networks, but excluding Danaher's data communications cable installation business and its communication service provider business (the Communications Business) in a Reverse Morris Trust transaction (the Transaction). For additional information regarding the proposed acquisition, see Note 20 of our Notes to Consolidated Financial Statements.

Markets

Enterprise Markets

Within the enterprise market, NetScout's nGenius® and Infinistream® technologies enable IT organizations to protect and improve service delivery quality and identify and address business service performance issues before they become serious and affect large numbers of users. Some of the current enterprise IT initiatives our solutions support include:

- *IT Operational Excellence* – We deliver real-time and historical information that provides the necessary insight to restore service, manage capacity, and understand the quality of the users' experience.
- *Data Center Modernization and Cloud Computing* – We enable IT organizations to manage the delivery of services across virtual and physical environments, providing a comprehensive, unified real-time view into network, application, server, and user communities' performance. We proactively detect emerging issues with the ability to help analyze both physical and virtual services delivery environments within the data center enables organizations to optimize datacenter infrastructure investments, protect against service degradations, and simplify the operation of complex, multi-tier application environments in consolidated, state-of-the-art data centers. Our solutions are often used by enterprises to support private cloud computing environments that are aimed at enabling greater, more cost-effective accessibility to applications without compromising the reliability and security of those applications and the network.
- *Unified Communications (UC)* – We deliver deep application-level unified visibility into voice, data and video services side-by-side in order to understand the interrelationships of all UC services that traverse the network infrastructure and assess quality and performance of the delivery of these services. As a result, our real-time, actionable intelligence helps customers to deliver a high-quality UC experience as users make calls, video conference and engage in instant messaging. We also help desktop, network, telecom, and application teams manage UC through a common platform across complex, geographically dispersed, and multi-vendor environments.
- *New Application Service Rollout* - We provide enterprise customers with a holistic view of the new applications and services as they are introduced into their IT environment. This view enables customers to see the relationships and interdependencies across all service delivery components including applications, network, servers, databases, and enabling protocols so they can deliver a superior user experience, achieve outstanding service quality and drive return on their application investments.
- *Application and Desktop Virtualization* - We provide clear and actionable insights that help customers fully realize the operational benefits associated with Application and Desktop Virtualization, and reduce the time it takes to identify and resolve service problems. We offer visibility across all virtual desktop infrastructure (VDI) tiers including remote access, client, virtualization, web, front-end application, and related database systems, and help customers gain actionable metrics from monitoring and analyzing the consumption and performance of VDI services.
- *CyberSecurity* – Cyberattacks are becoming more sophisticated and target users, applications, infrastructure, and mobile devices. We provide an additional layer of visibility that provides insight into potential emerging security issues missed by traditional security tools. We also provide incident response activities with deep-dive network forensics and offer contextual information surrounding a specific alert or incident to enhance investigative capabilities and avoid false positives.

Government Markets

Similar to our enterprise markets, government agencies are focused on streamlining and transforming IT into more efficient and more easily managed environments. To accomplish this, agencies are turning to IT solutions that will help simplify managing and assuring their IT environments as well as reduce costs. However, governmental markets differ from enterprise markets in that their purchasing cycles are driven by a political process and allocated funding.

Telecommunication Service Provider Markets

Today's service providers are focused on creating a compelling set of services, with a high quality user experience, while also keeping an eye on reducing operational complexity and costs. This, coupled with the challenge of Internet Protocol (IP) transformation activities and emerging new technologies such as LTE, virtualization, Internet Protocol Television (IP-TV), wireless network (WiFi) and cloud services drives the need for a more automated and unified approach to managing service delivery and the subscriber experience. Service providers must reduce the cost of service delivery, address increasing complexity, scale globally and adapt to emerging technologies such as cloud services, virtualization and unified communication services while assuring high quality user experiences to retain their revenue base.

- *For Mobile Operators* – The fundamental transformation of the mobile network to all-IP enables mobile operators to build highly-scalable service delivery environments to offer new services to meet the growing subscriber demand for data, voice and video-centric services and to consolidate and simplify network operations. However, to capitalize fully on the value of IP and the significant market opportunities, mobile operators need detailed IP packet-level insight and core-to-access visibility.
- *For Fixed-line and Cable Operators* – The growing demand for high-bandwidth triple-play services, broadband connectivity, content anywhere, IP-TV, on-demand video traffic, new extended WiFi initiatives and carrier Ethernet services presents service providers with significant revenue opportunities. IP has become the *de facto* convergence mechanism for access, distribution and core networks, enabling new service offerings, simplifying network operations while reducing total cost of operations. For example, we also are starting to see cable operators use our solutions to monitor and manage their local area WiFi connectivity services. To realize these benefits, operators need comprehensive insight into IP services, service usage, service availability, application awareness, traffic load, network availability and network performance.

Products & Technology Overview

NetScout continuously develops its solutions to meet the increasing demands and ever changing technology landscape of IP networks, service and applications. In recent years, we have delivered major product upgrades across our product lines, more tightly integrating deep packet analysis and forensics into our top-down performance management workflows, improving the flexibility of our industry-leading intelligent early warning capabilities, and adding support for new sources of user experience and performance related metrics.

During Fiscal Year 2015, we continued to invest in development programs aimed at enhancing our range of offerings, including delivering new features and functionality for our nGeniusONE™ Service Assurance platform that addresses the evolving requirements of our enterprise, service provider and government customers. The nGeniusONE platform is powered by Adaptive Service Intelligence™ (ASI) 2.0, NetScout's next generation Deep Packet Inspection (DPI) technology that exploits the inherent richness of packet-flow data to provide real-time, contextual analysis of service, network, and application performance. The patented ASI technology is a critical differentiating technology that enables the creation of statistical metadata, session transaction records and adaptive session traces enabling real-time, scalable monitoring of all users, all applications and all services consistently across the network. NetScout's solutions are used by customers to better understand and manage network and application performance, alert themselves to problems that impacting end users, validate services and network policy, plan and optimize network capacity, generate timely reports and conduct deep forensic and historical analysis. Key products include:

nGeniusONE™ Service Assurance Solution – Used to support NetScout's enterprise, service provider and government customers, the nGeniusONE Service Assurance Solution platform enables customers to predict, preempt, and resolve network and service delivery problems while facilitating the optimization and capacity planning of their network infrastructures. Key features within the nGeniusONE™ platform include:

- *Service Dashboard* - Providing at-a-glance metrics, holistic status visibility of business services, network and application components, enabling network and IT professionals to focus their triage efforts where needed most.

- *Performance Analysis*: Offering comprehensive analysis of specific application transactions, such as email, databases, enabling services, and unified communications, as well as traffic analysis to identify the root cause of performance issues. The specialized service monitors provide holistic visibility into application sessions, their query/response volume, their latencies, and any errors associated with the specific servers, including affected user communities.
- *Session Analysis*: Enabling drilldowns, with context, from service monitors to specific session-level analysis related to the issue being investigated.
- *Packet Analysis*: Facilitating detailed analysis of network traffic at a granular, packet level, along with forensic evidence collection that is relevant to the issue at hand based on the context of the workflows already performed.

NetScout's nGeniusONE Service Assurance Solution also provides other high-value complementary capabilities including:

- nGenius UC Server for monitoring and managing advanced unified communications (UC) across a range of collaboration tools including IP-based telephony, video and instant messaging;
- nGenius Subscriber Intelligence for visibility into mobile data sessions across a range of mobile network architectures;

NetScout's product family also includes:

- *nGenius Intelligent Data Sources* for data collection - NetScout's Intelligent Data Sources provide the capabilities of gathering and analyzing information rich packet-flow data from across the network to enable the granular analysis and reporting capabilities of the nGenius Service Assurance Solution. The nGenius Intelligent Data Sources consist of: (1) the InfiniStream appliances, which provide hardware-based data capture and metadata creation for the nGenius Service Assurance Solution; (2) the nGenius VI2000, which extends NetScout's visibility into virtualized and cloud environments by embedding the ASI technology into virtual machines (VMs); and (3) nGenius Collectors, which support collection of network-based statistics from network equipment supporting standards-based data such as Cisco NetFlow, jFlow and sFlow.
- *nGenius Packet Flow Switches and Taps* for data aggregation and distribution - NetScout's comprehensive network monitoring fabric switching solution provides targeted network traffic access to an increasing number of monitoring systems, including the nGeniusONE Performance Management platform, as well as other monitoring and security systems. It enables flexible access to packet-flow traffic to support diverse network traffic monitoring operations including performance management, service delivery management, and security monitoring. NetScout's Test Access Point (TAP) family provides the nGenius InfiniStream appliances and nGenius packet flow switches with full, non-disruptive access to network traffic while remaining transparent to the networking infrastructure with multiple link type and speed options.
- *NetScout Test Optimization Products* - NetScout's packet flow switches and management software support test laboratories in their efforts to optimize the performance and speeds of network equipment within simulated network infrastructures.
- *nGenius NetFlow Solutions* for analyzing and managing enterprise networks by leveraging specific flow-based data such as Cisco NetFlow, Juniper J-Flow, sFlow, Huawei NetStream, and Cisco IP SLA test results collected from flow-capable network devices such as routers or switches.

Integration with Third-party Solutions

To have greater operational impact on assuring performance of applications and service delivery, NetScout has integrated its technology with third-party management consoles and business service management systems. This integration allows organizations to receive alarms on impending performance problems and to link into the nGenius Service Assurance solution in order to perform detailed problem analysis and troubleshooting. By providing seamless integration into management platforms, NetScout fills a significant gap in the third party product functionality and visibility into the interaction of applications, services and infrastructure resources from a packet-based network vantage point. NetScout collaborates with technology partners to provide integrated solutions and extend the value of the nGenius Service Assurance Solution for application and network performance management across the organization. Using packet-flow data, key performance indicators and other sources of performance information derived from the nGenius Service Assurance Solution, an organization's ability to optimize, simplify and protect the service delivery environment are enhanced. Among the third-party solutions providers that NetScout has integrated its solutions with are Cisco Systems, Cisco Sourcefire, Citrix Systems, EMC Corporation, Hewlett-Packard Company, IBM Tivoli and VMWare.

Growth Strategy

Our key objectives have been to continue to gain market share in the wireless service provider market and to accelerate our enterprise growth by extending into the application performance management segment. In addition, given the nature of the customers in our government segment, we believe future cybersecurity products would be effective in this market. We believe that the acquisition of Danaher's Communications Business (see Note 20 of our Consolidated Financial Statements) will further accelerate key elements of our strategy, which include:

- *Drive technology innovation* – NetScout will continue to invest in research and development, and leverage the strong technical and domain expertise across its organization. As a result of the planned acquisition of the Communications Business, NetScout's base of research and development professionals is expected to grow by more than 400% from its current level of over 350 people. The combined company's engineering teams will be focused on advancing technical innovation across its broad product portfolio. By capitalizing on NetScout's extensive experience with global enterprise, service provider and government organizations with IP-based networks, NetScout will be well positioned to cross-leverage its technology development across all major platforms and relevant technologies to address the evolving demands of current and prospective customers. NetScout works closely with its largest enterprise and service provider customers to better understand and address their near-term and longer-term requirements. By better understanding the key, time-sensitive needs of NetScout's global customer base, NetScout will continue to enhance and extend its product line to meet the increasing challenges of managing a diverse range of services over an increasingly global network environment.
- *Continued portfolio enhancements* – We plan to continue to enhance our products and solutions to address the management challenges associated with virtualization, cloud computing, service-oriented architectures, VoIP, video, and telepresence technologies. In addition, we will continue to drive our solutions to help IT organizations address the challenges of complex service delivery, datacenter consolidation, branch office consolidation and optimization, increasing mobility and the move to a more process-oriented operating environment. The acquisition will add Tektronix Communications' high-value troubleshooting capabilities, which targets service providers, with Fluke Networks' troubleshooting capabilities, which targets small to mid-sized enterprises. These capabilities are expected to complement NetScout's traditional strengths in monitoring large, complex IP-based networks and the mission-critical services that run across them. Over the longer term, NetScout anticipates that the post-acquisition product roadmap integration would support migrating key features and functionalities from various product platforms into new, higher value solutions at more attractive price points that will appeal to a broader range of customers globally.
- *Extension into adjacent markets* – By enhancing and expanding NetScout's product portfolio, NetScout can also enter complementary adjacent markets that will help it further expand its customer relationships and increase its total addressable market. For example, the acquisition of the Arbor Networks business will bring new security offerings that complement NetScout's core range of solutions by helping customers identify, mitigate and remediate complex technical threats and unauthorized intrusions into their network and IT infrastructures. The Arbor Networks business will accelerate NetScout's entry into cyber security with market-leading solutions used by leading service providers and enterprises to prevent and mitigate distributed denial of service (DDoS) attacks. In addition, the acquisition will bring new solutions for optimizing the radio access networks (RANs) of service providers and sophisticated business intelligence analytics that are used by service providers to increase customer satisfaction, reduce churn, and increase profits.
- *Enable pervasive visibility* – We intend to continue to expand our intelligent data source family to enable our customers to achieve greater visibility into more places across their end-to-end network environment. We plan to

integrate various capabilities, including our Adaptive Service Intelligence software, across the combined company's product portfolio to enable wider deployment of our technology within virtual computing environments, network devices and computing platforms and to support a broader range of network and application performance management, security and business intelligence requirements. This includes fortifying and enhancing our capabilities and technology by supporting new and innovative ways to address the ongoing challenges associated with the increasing volume of data traffic and enable scalable support for 40 Gigabit, 100 Gigabit topologies and increasing global deployments of IPv6. Advancing these capabilities will enable NetScout to cross-sell a wider range of solutions into NetScout's existing base of customers using solutions from the Communications Business, as well as increase business with the current base of Communications Business customers by cross-selling NetScout solutions.

- *Expand our customer base in both enterprise and service provider markets* – It is our intention to substantially grow our presence in both the enterprise and service provider markets. In the enterprise market, we are growing our installed base to include a broader number of top-tier enterprise customers as well as extending to reach mid-market enterprise customers. We intend to increase the use of our products across the IT organization to include new operational groups by expanding their capabilities and value. In the service provider market, we are expanding our presence by winning new service provider customers. We are also expanding our service provider footprint further out into the radio access network and deeper into the core. As a result of the acquisition, NetScout will have a larger direct sales force with specialized expertise in targeting the enterprise, service provider and government markets, along with a more extensive global network of value-added resellers and systems integrators.
- *Increase market relevance and awareness* – The acquisition will substantially expand our customer base around the world. To generate increased demand for NetScout's products, NetScout will implement marketing campaigns aimed at promoting its thought leadership and driving lead generation for its technology, products and solutions among both enterprise and service provider customers. In addition, we will continue to drive industry initiatives around managing service delivery.
- *Extend our technology partner alliance ecosystem* – Supporting a larger, more global customer base as a result of the acquisition will require alliances with complementary solutions providers. We plan to continue to enhance our technology value, product capabilities and customer relevance through the continued integration of our products into technology partner products. This includes both interoperability integration efforts, as well as embedding our technology into alliance partner products to gain a more pervasive footprint across both enterprise and service provider networks.
- *Pursue strategic acquisitions* – We completed five acquisitions in recent years that helped broaden our capabilities, products and technologies, and better position the Company to meet the needs of its customers and prospects. After the acquisition of the Communications Business, we plan to be opportunistic in pursuing strategic acquisitions in order to achieve key business and technology objectives.
- *Improve cost structure and drive efficiencies* – We have continued to improve our profitability as we have expanded our business. We will continue to focus on directing prudent investment into the key technology, product development, sales and marketing, and other initiatives that will enable us to drive long-term profitable growth. We believe that the Danaher Communications Business acquisition will create a range of opportunities to further improve the Company's operating profitability by pursuing cost synergies. NetScout will seek to leverage its purchasing power and extend its proven manufacturing techniques in ways that can improve product gross margin. In addition, NetScout plans to integrate certain operations that have previously been managed separately across various business and product lines. NetScout also expects to achieve synergies by using common infrastructure platforms, and by eliminating or reducing redundancies associated with pre-existing resources, programs and capabilities.

Support Services

Customer satisfaction is a key driver of NetScout's success. NetScout's MasterCare™ support programs offer customers various levels of high quality support services to assist in the deployment and use of our solutions. We have support personnel strategically deployed across the globe to deliver 24/7 telephone support to our premium MasterCare customers. Certain support services, such as on-site support activities, are provided by qualified third party support partners. In addition many of our certified resellers provide Partner Enabled Support to NetScout end-users. This is especially prevalent in international locations where time zones and language, among other factors, make it more efficient for end-users to have the reseller provide initial support functions. MasterCare support also includes updates to our software and firmware at no additional charge, if and when such updates are developed and made generally available to our commercial customer base. If ordered, MasterCare support commences upon expiration of the standard warranty for software. For software, which also includes firmware, the standard warranty commences upon shipment and expires 90 days thereafter. With regard to hardware, the standard warranty commences upon shipment and expires 12 months thereafter. We believe our warranties are consistent with commonly accepted industry standards.

Manufacturing

Our manufacturing operations consist primarily of final product assembly, configuration and testing. We purchase components and subassemblies from suppliers and construct our hardware products in accordance with NetScout standard specifications. We inspect, test and use process control to ensure the quality and reliability of our products. We maintain an ISO 9001 quality systems registration, a certification showing that our corporate procedures and manufacturing facilities comply with standards for quality assurance and process control. We also maintain an ISO 9001:2000 quality systems registration, a certification showing that our corporate procedures comply with standards for continuous improvement and customer satisfaction.

Although we generally use standard parts and components for our products, which are available from various suppliers, each of the computer network interface cards used in our devices is currently available only from separate single source suppliers. We have generally been able to obtain adequate supplies of components in a timely manner from current suppliers. While currently we purchase from specific suppliers, we believe that, in most cases, alternate suppliers could be identified if current suppliers are unable to fulfill our needs. Our reliance on single source suppliers is further described in Item 1A “Risk Factors.”

We manufacture our products based upon near-term demand estimates resulting from sales forecasts and historical fulfillment information. Due to the fact that these forecasts have a high degree of variability because of such factors as time of year, overall economic conditions and employee incentives, we maintain inventory levels in advance of receipt of firm orders to ensure that we have sufficient stock to satisfy incoming orders.

Sales and Marketing

Sales

We sell our products, support and services through a direct sales force and an indirect reseller and distribution channel.

Our direct sales force uses a “high-touch” sales model that consists of face-to-face meetings with customers to understand and identify their unique business challenges and requirements. Our sales teams then translate those requirements into tailored business solutions that allow the customer to maximize the performance of its infrastructure and service delivery environment. Due to the complexity of the systems and the capital expenditure involved, our sales cycle typically takes three to twelve months. We build strategic relationships with our customers by continually enhancing our solution to help them address their evolving service delivery management challenges. In addition to providing a comprehensive solution to meet these needs, we continually provide software enhancements to our customers as part of their maintenance contracts with us. These enhancements are designed to provide additional and ongoing value to our existing customers to promote loyalty and the expansion of their deployment of our products. Existing customer growth is also driven by the expansion and changes in their networks as they add new infrastructure elements, new users, new locations, new applications and experience increasing service traffic volumes.

We also maintain an indirect reseller and distribution channel. Sales to customers outside the United States are primarily export sales through channel partners. Our channel partners assist us by improving our reach to customers, extending our presence in new markets, and marketing and selling our products to a broad array of organizations globally. We sell through a range of channel partners including value added resellers, value added distributors, resellers, and system integrators, to our enterprise, service provider and government customers. Historically and currently, we have used indirect distribution channels principally as intermediaries on contractual terms for customers with whom we have no contract. Our sales force meets with end user customers to present NetScout products and solutions, conduct demonstrations, provide evaluation equipment, recommend detailed product solutions, develop product deployment designs and timelines, and assist in establishing financial and other justification for the proposed solution. During this selling process, a channel partner, who has contracts with both the end customer and NetScout, may be brought in to facilitate the transaction and to provide fulfillment services. In the case of international channel partners, those services usually also include currency translation and support. In the U.S., fulfillment services are usually limited to invoicing and cash collection. Under this approach, we have limited dependence upon channel partners for the major elements of the selling process. In many cases, there are multiple channel partners with the required contractual relationships, so dependence on any single channel partner is not significant.

Total revenue from indirect channels represented 49% of our total revenue for the fiscal years ended March 31, 2015, 2014 and 2013. During the fiscal year ended March 31, 2015, two direct customers accounted for more than 10% of total revenue, while no indirect channel partner accounted for more than 10% of total revenue. During the fiscal year ended March

31, 2014, one direct customer accounted for more than 10% of total revenue, while no indirect channel partner accounted for more than 10% of total revenue. During the fiscal year ended March 31, 2013, no direct customer or indirect channel partner accounted for more than 10% of total revenue.

Our sales force is organized into four main geographic teams covering sales around the globe: United States, Europe, Asia and the rest of the world. Revenue from sales outside the United States represented 23%, 24% and 25% of our total revenue in the fiscal years ended March 31, 2015, 2014 and 2013, respectively. For additional information regarding our sales by geographic location, see Note 18 of our Notes to Consolidated Financial Statements.

Marketing

Our marketing organization drives our market research, strategy, product positioning and messaging and produces and manages a variety of programs such as advertising, trade shows, industry events, public and analyst relations, social media, direct mail, seminars, sales promotions, and web marketing to promote the sale and acceptance of our solutions and to build the NetScout, ASI®, nGenius® and Infinistream® brand names in the marketplace. We also host an annual worldwide user conference as a way to engage with existing customers, to provide education and awareness, and to promote expanded use of our software with these customers.

Key elements of our marketing strategy focus on thought leadership, market positioning, market education, go to market strategies, reputation management, demand generation, and the acceleration of our strategic selling relationships with local and global resellers, systems integrators, and our technology alliance partners. During fiscal year 2015, NetScout began investment to redesign the NetScout logo and further fortify and amplify the NetScout brand. These activities are expected to continue into fiscal year 2016.

Research and Development

Our continued success depends significantly on our ability to anticipate and create solutions that will meet emerging customer requirements. We have invested significant financial resources and personnel into the development of our products and technology. Our continued investment in research and development is crucial to our business and our continued success in the market. We have assembled a team of highly skilled engineers with expertise in various technologies associated with our business and the technologies being deployed by our customers. We plan to continue to expand our product offerings and capabilities in the near future, and, therefore, plan to continue to invest and dedicate significant resources to our research and development activities. In addition, as we continue to expand our position in the service provider market, we will need to continue to expand our offerings and focused capabilities for these customers. We will continue to make substantial investments in growing our service provider technology expertise to maintain and grow our market and technology lead for this rapidly growing market opportunity.

We predominantly develop our products internally, with some limited third-party contracting. We have also acquired developed technology through business acquisitions. To promote industry standards and manifest technology leadership, we participate in and support the activities and recommendations of industry standards bodies, such as the Internet Engineering Task Force, the 3rd Generation Partnership Project and we also engage in close and regular dialogue with our key customers and alliance partners. These activities provide early insight into the direction of network and applications performance requirements for current and emerging technologies.

Seasonality

We have experienced, and expect to continue to experience, quarterly variations in our order bookings as a result of a number of factors, including the length of the sales cycle, complexity of customer environments, new product introductions and their market acceptance and seasonal factors affected by customer projects and typical IT buying cycles. Due to these factors, we historically have experienced stronger bookings during our fiscal third and fourth quarters than in the first and second quarters.

Customers

We sell our products to enterprises, service providers and governmental agencies with large- and medium-sized high-speed IP computer networks. Our enterprise customers cover a wide variety of industries, such as financial services, technology, manufacturing, healthcare, utilities, education, transportation and retail. In the telecommunications service provider customer group we address mobile operators, wireline operators and cable operators. A significant number of our service provider customers are mobile operators.

NetScout solutions are deployed at more than 20,000 of the world's largest enterprises, government agencies, and more than 165 service providers, on over one million physical and 2,000 virtual network segments.

Backlog

We produce our products on the basis of our forecast of near-term demand and maintain inventory in advance of receipt of firm orders from customers. We configure our products to customer specifications and generally deliver products shortly after receipt of the purchase order. Service engagements are also included in certain orders. Customers generally may reschedule or cancel orders with little or no penalty. We believe that our backlog at any particular time is not meaningful because it is not necessarily indicative of future sales levels. Our combined product backlog at March 31, 2015, consisting of orders booked or received prior to our year end, was an immaterial amount compared to $37.4 million at March 31, 2014.

Competition

We compete with many companies in the markets we serve. The service assurance and performance management market is highly competitive, rapidly evolving, and fragmented with overlapping technologies and a wide range of competitors. Consequently, there are a number of companies that deliver some elements of our solutions.

Principal competitive factors in our market include scalability; ability to address a large number of applications, locations and users; product performance; the ability to easily deploy into existing network environments; the ability to offer virtualized solutions; and the ability to administer and manage the solution.

While NetScout faces multiple competitors within the service assurance industry, we believe that we compete favorably on the basis of these factors. We provide a comprehensive service delivery management solution that is capable of addressing the needs of both enterprise and service provider customers and can be scaled to meet the challenges of today's dynamic service delivery environments. We believe that our solutions provide superior data and compete favorably on a broad range of metrics including the ability to recognize and track a large number of applications, scalability to support high and increasing levels of data and network traffic, the ability to look at both data and control plane traffic across an entire network, and the ability to provide real-time information about service performance and real-time alerts to emerging service problems.

In the enterprise market, our competitors include companies such as Avaya, AppDynamics, CA Technologies, Compuware, ExtraHop, Fluke Networks, InfoVista, Ixia, JDSU (through its Network Instruments business that was acquired in 2014), Gigamon, Lancope, New Relic, Riverbed Technology and SolarWinds. In addition, we both compete with and partner with large enterprise management vendors, such as HP and IBM, who offer performance management solutions.

In the service provider market, we compete with probe vendors, network equipment manufacturers, big data and analytics vendors, and virtualization vendors. These vendors include Alcatel-Lucent, Astellia, Anritsu, Cisco, Empirix, Ericsson, EMC, EXFO, Guavas, Huawei, IBM, JDSU, Niksun, Polystar, Radcom, SevOne, Splunk, Tektronix and Zettics. We face additional competitive threats from startups and new entrants that seek to offer innovative solutions in an industry characterized by rapid technological change.

Our ability to sustain a competitive advantage depends on our ability to deliver continued technology innovation and adapt to meet the evolving needs of our customers. Competitive factors in our industry are further described in Item 1A "Risk Factors."

Intellectual Property Rights

We rely on patent, copyright, trademark, and trade secret laws and contract rights to establish and maintain our rights in our technology and products. While our intellectual property rights are an important element in our success, our business as a whole does not depend on any one particular patent, trademark, copyright, trade secret, license, or other intellectual property right.

NetScout uses contracts, statutory laws, domestic and foreign intellectual property registration processes, and international intellectual property treaties to police and protect its intellectual property portfolio and rights from infringement. From a contractual perspective, NetScout uses license agreements and non-disclosure agreements to control the use of our intellectual property and protect NetScout trade secrets from unauthorized use and disclosure. In addition to license agreements, NetScout relies on U.S. and international copyright law to protect against unauthorized copying of software programs, in the U.S. and abroad. NetScout has obtained U.S. and foreign trademark registrations to preserve and protect certain trademarks and trade names. NetScout has also filed and obtained U.S. patents and international counterparts to protect certain unique NetScout inventions from being unlawfully exploited by other parties. However, there is no assurance that pending or future patent applications will be granted, that we will be able to obtain patents covering all of our products, or that we will be able to license, if needed, patents from other companies on favorable terms or at all. Our proprietary rights are subject to other risks and uncertainties described under Item 1A "Risk Factors."

Employees

At March 31, 2015, we had a total of 1,069 employees, 697 of whom were employed in the United States. The majority of our employees are not subject to a collective bargaining agreement. In accordance with applicable law, employees in certain international jurisdictions are subject to collective bargaining agreements. Employees by department at March 31, 2015 were as follows:

Function	Number of Employees
Sales and marketing	373
Research and development	357
Support services	178
General and administrative	128
Manufacturing	33
	1,069

Corporate information

Our corporate headquarters are located at 310 Littleton Road, Westford, Massachusetts, and our telephone number is (978) 614-4000. NetScout was incorporated in Delaware in 1984.

NetScout's internet address is http://www.netscout.com. Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to reports filed pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended (Exchange Act), are made available free of charge on or through our website at http://ir.netscout.com/phoenix.zhtml?c=92658&p=irol-sec as soon as reasonably practicable after such reports are filed with, or furnished to, the Securities and Exchange Commission (the SEC). None of the information posted on our website is incorporated by reference into this Annual Report.

We webcast our earnings calls and certain events we participate in or host with members of the investment community are made available on our investor relations web-site at http://ir.netscout.com/phoenix.zhtml?c=92658&p=irol-calendar. Additionally, we provide notifications of news or announcements regarding our financial performance, including SEC filings, investor events, press and earnings releases, as part of our investor relations web-site. The contents of these sections of our investor relations website are not intended to be incorporated by reference into this report or in any other report or document we file.

Item 1A. Risk Factors.

In addition to the other information in this report, the following discussion should be considered carefully in evaluating NetScout and our business. This Annual Report on Form 10-K contains forward-looking statements under Section 21E of the Exchange Act and other federal securities laws. These statements relate to future events or our future financial performance and are identified by terminology such as "may," "will," "could," "should," "expects," "plans," "intends," "seeks," "anticipates," "believes," "estimates," "potential" or "continue," or the negative of such terms or other comparable terminology. These statements are only predictions. You should not place undue reliance on these forward-looking statements. Actual events or results may differ materially. Factors that may cause such differences include, but are not limited to, the factors discussed below and in our other filings with the SEC. These factors may cause our actual results to differ materially from any forward-looking statement.

Our operating results and financial condition have varied in the past and may in the future vary significantly depending on a number of factors. Except for the historical information in this report, the matters contained in this report include forward-looking statements that involve risk and uncertainties. The following factors are among many that could cause actual results to differ materially from those contained in or implied by forward-looking statements made in this report. These statements involve the risks and uncertainties identified below as well as additional risks and uncertainties that are not yet identified or that we currently think are immaterial but may also impact our business operations. Such factors are among many that may have a material adverse impact upon our business, results of operations and financial condition.

Risks related to the proposed acquisition of Danaher's Communications Business

The announcement and pendency of the proposed acquisition of the Communications Business could have an adverse effect on our stock price, business, financial condition, results of operations or business prospects.

The announcement and pendency of the transaction could disrupt our business in the following ways, among others:

- Our customers, channel partners and other third-party business partners may delay or defer purchase decisions with regard to our products and services or may seek to terminate and/or renegotiate their relationships with us as a result of the transaction, whether pursuant to the terms of their existing agreements with us or otherwise; and
- Current and prospective employees may experience uncertainty regarding their future roles with the combined company, which might adversely affect our ability to retain, recruit and motivate key personnel and may adversely affect the focus of our employees on our sales efforts.

Should they occur, any of these matters could adversely affect our stock price or harm our financial condition, results of operations or business prospects.

Failure to complete the proposed acquisition of the Communications Business could negatively impact our business, financial condition, results of operations or stock price.

Completion of the transactions is conditioned upon NetScout and Danaher satisfying certain closing conditions, including the approval of the shares to be issued in connection with the transaction by our stockholders, as set forth in the merger agreement. The required conditions to closing may not be satisfied in a timely manner, if at all, or, if permissible, waived. If the transaction is not consummated for these or any other reasons, our ongoing business may be adversely affected and will be subject to a number of risks including:

- The market price of our common stock may decline to the extent that the current market price reflects a market assumption that the transaction will be completed;
- We may experience negative reactions to the termination of the transaction from customers, channel partners, suppliers, strategic partners, investors or analysts;
- We would not realize any of the anticipated benefits of having completed the transaction;
- We may be required to pay a termination fee of $55.0 million to Danaher if the Merger Agreement is terminated under certain circumstances; and
- Our expenses incurred related to the transaction, such as legal and accounting fees, must be paid even if the transaction is not completed and may not, except in certain circumstances, be recovered from Danaher.

In addition, any delay in the consummation of the transaction or, any uncertainty about the consummation of the transaction, may adversely affect our future business, growth, revenue and results of operations.

The market price of our common stock may decline as a result of the acquisition of the Communications Business.

The market price of our common stock may decline as a result of the transaction for a number of reasons including if:

- We do not achieve the perceived benefits of the transaction as rapidly or to the extent anticipated;
- The effect of the transaction on our business and prospects is not consistent with the expectations of financial or industry analysts; or
- Investors react negatively to the effect of the transaction on our business and prospects.

NetScout and Danaher may be unable to satisfy the conditions or obtain the approvals required to complete the proposed transactions.

The consummation of the proposed transactions is subject to numerous conditions including (i) consummation of certain transactions contemplated by the Merger Agreement and the Separation and Distribution Agreement, dated as of October 12, 2014, by and among Danaher, NetScout and Newco (as the same may be amended from time to time) (the Distribution Agreement) (such as the separation of the Communications Business from Danaher's other business) and (ii) the receipt of NetScout stockholder approval for the issuance of NetScout common stock in the First Merger (as defined in Note 20 of our Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K). We cannot make any assurances that the acquisition of the Communications Business and related transactions will be consummated on the terms or timeline currently contemplated, or at all. Each of Danaher and NetScout has and will continue to expend time and resources and incur expenses related to the proposed transactions.

The risk to our stockholders that the calculation of the merger consideration will not be adjusted if the value of the business or assets of the Communications Business declines or if the value of NetScout increases before the transactions are completed.

The calculation of the number of shares of NetScout common stock to be distributed in the Transaction will not be adjusted if the value of the business or assets of the Communications Business declines prior to the consummation of the Transaction or the value of NetScout increases prior to the Transaction. We will not be required to consummate the Transaction if there has been any material adverse effect on the Communications Business. However, we will not be permitted to terminate the Merger Agreement or resolicit the vote of our stockholders because of any changes in the market price of our common stock or any changes in the value of the Communications Business that do not constitute a material adverse effect with respect to the Communications Business.

Our estimates and judgments related to the acquisition accounting models used to record the purchase price allocation may be inaccurate.

Our management will make significant accounting judgments and estimates for the application of acquisition accounting under GAAP and the underlying valuation models. Our business, operating results and financial condition could be materially and adversely impacted in future periods if our accounting judgments and estimates related to these models prove to be inaccurate.

We may be required to recognize impairment charges for goodwill and other intangible assets.

Based on the closing price of our common stock on May 1, 2015, the proposed transaction will add approximately $3.0 billion of goodwill and other intangible assets to our consolidated balance sheet. In accordance with GAAP, our management periodically assesses these assets to determine if they are impaired. Significant negative industry or economic trends, disruptions to our business, inability to effectively integrate acquired businesses, unexpected significant changes or planned changes in use of the assets, divestitures and market capitalization declines may impair goodwill and other intangible assets. Any charges relating to such impairments would adversely affect results of operations in the periods recognized.

If completed, the proposed transactions may not be successful or achieve their anticipated benefits.

If the proposed transactions are completed we may not be able to successfully realize anticipated growth opportunities or integrate our business and operations with the Communications Business' business and operations. After the transactions, we will have significantly more revenue, expenses, assets and employees than we did prior to the transactions. In the internal restructuring and reorganization of the Communications Business and related assets and liabilities, we will also be assuming certain liabilities of the Communications Business and taking on other obligations (including collective bargaining agreements and certain non-U.S. pension obligations with respect to transferred employees). We may not successfully or cost-effectively integrate the Communications Business' business and operations into our existing business and operations. Even if the combined company is able to integrate the combined businesses and operations successfully, this integration may not result in the realization of the full benefits of the growth and other opportunities that we currently expect from the transactions within the anticipated time frame, or at all.

We are required to abide by potentially significant restrictions, which could limit our ability to undertake certain corporate actions (such as the issuance of our common stock or the undertaking of a merger or consolidation) that otherwise could be advantageous.

To preserve the tax-free treatment to Danaher and/or its stockholders of the proposed transactions, under the Tax Matters Agreement in substantially the form attached as Exhibit A to the Distribution Agreement (the Tax Matters Agreement), we are restricted from taking any action that prevents such transactions from being tax-free for U.S. federal income tax purposes. These restrictions may limit our ability to pursue certain strategic transactions or engage in other transactions, including using our common stock to make acquisitions and in connection with equity capital market transactions that might increase the value of our business.

The Distribution could result in significant tax liability, and NetScout may be obligated to indemnify Danaher for any such tax liability imposed on Danaher.

The Distribution (as defined in Note 20 of our Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K) and certain aspects of the internal restructuring to separate and consolidate certain assets and liabilities used in the Communications Business under Newco, could be taxable to Danaher if Newco, its unit holders, NetScout or NetScout's stockholders were to engage in certain actions specified under the Tax Matters Agreement. In such cases, under the Tax Matters Agreement, Newco and NetScout will be required to indemnify Danaher against any taxes that arise as a result of such specified actions. If Danaher were to recognize gain on the Distribution or certain aspects of the internal restructuring of the Communications Business for reasons not related to a specified action under the Tax Matters Agreement by Newco or NetScout, Danaher would not be entitled to be indemnified under the Tax Matters Agreement and the resulting tax to Danaher could have a material adverse effect on Danaher. If Newco or NetScout were required to indemnify Danaher as a result of the Distribution or certain aspects of the internal restructuring of the Communications Business being taxable, this indemnification obligation would likely be substantial and could have a material adverse effect on us, including with respect to our financial condition and results of operations.

Upon completion of the proposed transactions, we will incur significant expenses in connection with the integration of the Communications Business.

Upon completion of the proposed transactions, we expect to incur significant expenses in connection with the integration of the Communications Business, including integrating products and technology, personnel, information technology systems, accounting systems, suppliers, and channel partners of each business and implementing consistent standards, policies, and procedures, and may possibly be subject to material write downs in assets and charges to earnings, which may include severance pay and other costs.

The Merger Agreement contains provisions that may discourage other companies from trying to acquire NetScout. In addition, we will have more shares of our common stock outstanding after the transactions, which may discourage other companies from trying to acquire NetScout.

The Merger Agreement contains provisions that may discourage a third-party from submitting a business combination proposal to NetScout prior to the closing of the proposed transactions that might result in greater value to our stockholders than the proposed transactions. For example, the Merger Agreement generally prohibits us from soliciting any takeover proposal. In addition, if the Merger Agreement is terminated by NetScout or Danaher in circumstances that obligate us to pay a termination fee or to reimburse transaction expenses to Danaher, our liquidity or financial condition may be materially adversely affected as a result of such payment, and the requirement to make such a payment might deter third parties from proposing alternative business combination proposals. In addition, the Merger Agreement requires that we seek stockholder approval for the issuance of shares of our common stock in the First Merger, even if our board of directors changes its recommendation regarding the issuance of shares of our common stock in the First Merger.

We expect to issue 62.5 million shares of our common stock as part of the proposed transactions, assuming no adjustments pursuant to the Merger Agreement. Because we will be a significantly larger company and have significantly more shares of our common stock outstanding after the proposed transactions, an acquisition of NetScout may become more expensive. As a result, some companies may not seek to acquire NetScout, and the reduction in potential parties that may seek to acquire NetScout could negatively impact the prices at which our common stock trades.

Risks Related to the Combined Company's Business Following the Proposed Transactions

We will assume certain non-U.S. pension benefit obligations associated with the Communications Business. Future funding obligations related to these liabilities could restrict cash available for our operations, capital expenditures or other requirements, or require us to borrow additional funds.

In the proposed transactions, we will assume certain funded and unfunded non-U.S. pension obligations related to non-U.S. employees of the Communications Business who become employees of Newco to the extent the assumption is required by applicable law. In connection therewith, Danaher will transfer to us all assets set aside by Danaher to fund such non-U.S. pension obligations related to the Communications Business. If the non-U.S. pension liabilities transferred by Danaher exceed the assets transferred by Danaher, Danaher is obligated to transfer an amount of cash to us equal to the difference between the non-U.S. pension liabilities transferred and the assets transferred. The transfers of assets and non-U.S. pension liabilities will be governed by applicable law, provided that if the mechanism for the transfers is not mandated by applicable law, the assets and liabilities will be transferred on a projected benefit obligation basis in accordance with GAAP.

Funding obligations with respect to non-U.S. pension plans change due to, among other things, the actual investment return on plan assets. Continued volatility in the capital markets may have a further negative impact on the funded status of the non-U.S. pension plans, which may in turn increase attendant funding obligations. Changing economic conditions, poor pension investment returns or other factors may require us to make substantial cash contributions to the pension plans in the future, preventing the use of increased cash contributions for other purposes and adversely affecting our liquidity.

While we intend to comply with any future funding obligations for its non-U.S. pension benefit plans through the use of cash from operations, there can be no assurance that we will generate enough cash to do so and also meet its other required or intended cash uses. Our inability to fund these obligations through cash from operations could require it to seek funding from other sources, including through additional borrowings, which could materially increase our outstanding debt or debt service requirements.

Current NetScout stockholders' ownership interest in NetScout will be substantially diluted in the proposed transactions.

Following the consummation of the proposed transactions, our stockholders will, in the aggregate, own a significantly smaller percentage of NetScout than they will own of NetScout immediately prior to the consummation of the transactions. It is expected that immediately after consummation of the First Merger, pre-First Merger holders of Newco common units and Newco employees will hold approximately 59.5% of NetScout's common stock on a fully-diluted basis and NetScout's existing equityholders will hold approximately 40.5% of NetScout's common stock on a fully-diluted basis. Our current stockholders, as a group, will be able to exercise less influence over the management and policies of NetScout following the proposed transactions than they will exercise over the management and policies of NetScout immediately prior to the transactions.

Sales of our common stock after the proposed transactions may negatively affect the market price of our common stock.

The shares of our common stock to be issued in the proposed transactions to holders of Newco common units will generally be eligible for immediate resale. The market price of our common stock could decline as a result of sales of a large number of shares of our common stock in the market after the consummation of the proposed transactions or even the perception that these sales could occur.

It is expected that immediately after consummation of the First Merger, pre-First Merger holders of Newco common units and Newco employees will hold approximately 59.5% of NetScout's common stock on a fully-diluted basis and our existing equityholders will hold approximately 40.5% of our common stock on a fully-diluted basis, subject to potential adjustment under certain limited circumstances. Currently, Danaher stockholders may include index funds that have performance tied to certain stock indices and institutional investors subject to various investing guidelines. Because we may not be included in these indices following the consummation of the proposed transactions or may not meet the investing guidelines of some of these institutional investors, these index funds and institutional investors may decide to or may be required to sell the NetScout common stock that they receive in the proposed transactions. In addition, the investment fiduciaries of Danaher's defined contribution and defined benefit plans may decide to sell any NetScout common stock that the trusts for these plans receive in the proposed transactions, or may decide not to participate in the exchange offer, if applicable, in response to their fiduciary obligations under applicable law. These sales, or the possibility that these sales may occur, may also make it more difficult for us to obtain additional capital by selling equity securities in the future at a time and at a price that we deem appropriate.

The historical financial information of the Communications Business may not be representative of its results or financial condition if it had been operated independently of Danaher and, as a result, may not be a reliable indicator of its future results.

The Communications Business is currently operated by Danaher. Consequently, the financial information of the Communications Business included in this document has been derived from the consolidated financial statements and accounting records of the Communications Business and reflects all direct costs as well as assumptions and allocations made by management of Danaher. The financial position, results of operations and cash flows of the Communications Business presented may be different from those that would have resulted had the Communications Business been operated independently of Danaher during the applicable periods or at the applicable dates. For example, in preparing the financial statements of the Communications Business, Danaher made allocations of costs and Danaher corporate expenses deemed to be attributable to the Communications Business. However, these costs and expenses reflect the costs and expenses attributable to the Communications Business operated as part of a larger organization and do not necessarily reflect costs and expenses that would be incurred by the Communications Business had it been operated independently. As a result, the historical financial information of the Communications Business may not be a reliable indicator of future results.

Our business, financial condition and results of operations may be adversely affected following the proposed transactions if we cannot negotiate terms that are as favorable as those Danaher has received when we replaces contracts after the closing of the proposed transactions.

Prior to consummation of the proposed transactions, certain functions (such as purchasing, information systems, sales, logistics and distribution) for the Communications Business are generally being performed under centralized systems that will not be transferred to us and, in some cases, under contracts that are also used for Danaher's other businesses and which are not intended to be assigned to us with the Communications Business. In addition, some other contracts that Danaher or its subsidiaries are a party to on behalf of the Communications Business require consents of third parties to assign them to Newco. While Danaher, under the Transition Services Agreement (in substantially the form attached as Exhibit B to the Distribution Agreement), will agree to provide us with certain services, there can be no assurance that we will be able to obtain those consents or negotiate terms that are as favorable as those Danaher received when and if we replace these services with its own agreements for similar services. Although we believe that we will be able to obtain any such consents or enter into new agreements for similar services, it is possible that the failure to obtain consents for or replace a significant number of these agreements for any of these services or to replace them on terms that as are as favorable as those Danaher has received could have a material adverse impact on our business, financial condition and results of operations following the proposed transactions.

Our failure to successfully integrate the Communications Business into our business within our expected timetable could adversely affect the combined company's future results and the market price of our common stock following the completion of the proposed transactions.

The success of the proposed transactions will depend, in large part, on our ability, as a combined company following the completion of the proposed transactions, to realize the anticipated benefits and on the sales and profitability of the combined company. To realize these anticipated benefits, the combined company must successfully integrate its respective businesses. This integration will be complex and time-consuming. The failure to successfully integrate and manage the challenges presented by the integration process may result in our failure to achieve some or all of the anticipated benefits of the proposed transactions.

Potential difficulties that may be encountered in the integration process include the following:

- lost sales and customers as a result of customers of NetScout or the Communications Business deciding not to do business with the combined company;
- complexities associated with managing the larger, more complex, combined business;
- integrating personnel of NetScout and the Communications Business while maintaining focus on providing consistent, high-quality products and service to customers;
- the loss of key employees; and
- potential unknown liabilities and unforeseen expenses, delays or regulatory conditions associated with the proposed transactions

If any of these events were to occur, our ability to maintain relationships with customers, channel partners, suppliers and employees or our ability to achieve the anticipated benefits of the proposed transactions could be adversely affected, or could reduce our sales or earnings or otherwise adversely affect our business and financial results after the proposed transactions and, as a result, adversely affect the market price of our common stock.

The success of the combined company will also depend on relationships with third parties and pre-existing customers and channel partners of NetScout and the Communications Business, which relationships may be affected by customer, channel partner or third-party preferences or public attitudes about the proposed transactions. Any adverse changes in these relationships could adversely affect the combined company's business, financial condition or results of operations.

The combined company's success will depend on our ability to maintain and renew relationships with pre-existing customers, channel partners, suppliers, and other third parties of both NetScout and the Communications Business and our ability to establish new relationships. There can be no assurance that the business of the combined company will be able to maintain and renew pre-existing contracts and other business relationships, or enter into or maintain new contracts and other business relationships, on acceptable terms, if at all. The failure to maintain important business relationships could have a material adverse effect on our business, financial condition or results of operations as a combined company.

The growth of the combined company could suffer if the markets into which the combined company sells its products and services experience cyclicality.

The growth of the combined company will depend in part on the growth of the markets which the Communications Business serves. The Communications Business serves certain industries that have historically been cyclical and have experienced periodic downturns that have had a material adverse impact on demand for the products, software and services that the Communications Business offers. Any of these factors could adversely affect the business, financial condition and results of operations of the combined company in any given period.

Defects, quality issues, inadequate disclosure or misuse with respect to the products, software or services of the combined company could adversely affect the business, reputation and financial statements of the combined company.

Defects in, quality issues with respect to or inadequate disclosure of risks relating to the use of the combined company's products, software and services, or the misuse of the combined company's products, software and services, could lead to lost profits and other economic damage, property damage, violation of privacy rights, personal injury or other liability resulting in third party claims, criminal liability, significant costs, damage to its reputation and loss of business. Any of these factors could adversely affect the business, financial condition and results of operations of the combined company.

International economic, political, legal, compliance and business factors could negatively affect the financial statements and growth of the combined company.

The Communications Business derives significant sales from customers outside the U.S. and certain manufacturing operations, suppliers and employees of the Communications Business are located outside the U.S. The Communications Business expects to continue to increase its sales and presence outside the U.S., particularly in the high-growth markets. The Communications Business' international business (and particularly its business in high-growth markets) is subject to risks that are customarily encountered in non-U.S. operations, any of which could negatively affect the business, financial condition and results of operations of the combined company.

Risks Related to the Company and its Operations

Our quarterly revenue and operating results may fluctuate.

Our quarterly revenue and operating results are difficult to predict and may fluctuate significantly from quarter to quarter. Our quarterly revenue may fluctuate as a result of a variety of factors, many of which may be outside of our control, including the following:

- technology spending by current and potential customers;
- uneven demand for service delivery and application performance management solutions;
- the timing and size of orders from customers, especially in light of our lengthy sales cycle;
- the timing and market acceptance of new products or product enhancements by us or our competitors;
- the timing of hiring sales personnel and the speed at which such personnel become productive;
- our ability to anticipate or adapt effectively to developing markets and rapidly changing technologies and technology requirements;
- changes in the number and size of our competitors and changes in the prices and capabilities of competitors' products;
- customer ability to implement our products;
- changes in foreign currency exchange rates;
- attrition of key employees; and
- economic slowdowns and the occurrence of unforeseeable global events, which contribute to such slowdowns.

Most of our expenses, such as employee compensation, benefits and rent, are relatively fixed in the short term. Moreover, our expense levels are based, in part, on our expectations regarding future revenue levels. As a result, if revenue for a particular quarter is below our expectations, we may not be able to reduce operating expenses proportionately for that quarter, and, therefore, this revenue shortfall would have a disproportionately negative impact on our operating results for that quarter.

If we fail to introduce new products or enhance our existing products to keep up with rapid technological change, demand for our products may decline.

The market for application and network performance management and service assurance solutions is characterized by rapid changes in technology, evolving industry standards, changes in customer requirements and frequent product introductions and enhancements. Our success is dependent upon our ability to meet our customers' needs, which are driven by changes in computer networking technologies, new application technologies and the emergence of new industry standards. In addition, new technologies may shorten the life cycle for our products or could render our existing or planned products obsolete. If we are unable to develop and introduce new network and application performance management and service assurance products or enhancements to existing products in a timely and successful manner, this inability could have a material and adverse impact on our business, operating results and financial condition.

We have introduced and intend to continue to introduce new products. If the introduction of these products is significantly delayed or if we are unsuccessful in bringing these products to market, our business, operating results and financial condition could be materially and adversely impacted.

We face significant competition from other technology companies.

The service assurance and performance management market is a highly competitive, rapidly evolving, and fragmented market that has overlapping technologies and competitors, both large and small. We believe customers make service management system purchasing decisions based primarily upon the following factors:

- product performance, functionality and price;
- timeliness of new product introductions;
- ease of installation, integration, and use;
- customer service and technical support;
- name and reputation of vendor; and
- alliances with industry partners.

We compete with a growing number of providers of application performance management solutions and providers of portable network traffic analyzers and probes. In addition, leading network equipment and application technology vendors offer their own management solutions, including products which they license from other competitors. Some of our current and potential competitors have greater name recognition and substantially greater financial, management, marketing, service, support, technical, distribution and other resources than we do. Further, in recent years some of our competitors have been acquired by larger companies that are seeking to enter or expand in the markets in which we operate. We expect this trend to continue as companies attempt to strengthen or maintain their market positions in an evolving industry. Therefore, given their larger size and greater resources our competitors may be able to respond more effectively than we can to new or changing opportunities, technologies, standards and customer requirements.

As a result of these and other factors, we may not be able to compete effectively with our current or future competitors. This competition could result in increased pricing pressure, reduced profit margins, increased sales and marketing expenses, and failure to increase, or the loss of, market share, any of which would likely have a material and adverse impact on our business, operating results and financial condition.

Our success depends, in part, on our ability to manage and leverage our distribution channels.

Sales to our distribution channels, which include resellers, original equipment manufacturers, distributors, systems integrators and service providers, accounted for 49%, 49%, and 49% of our total revenue for the fiscal years ended March 31, 2015, 2014 and 2013, respectively. To increase our sales we need to continue to enhance our indirect sales efforts, to continue to manage and expand these existing distribution channels and to develop new indirect distribution channels. Our channel partners have no obligation to purchase any products from us. In addition, they could internally develop products that compete with our solutions or partner with our competitors or bundle or resell competitors' solutions, possibly at lower prices. The potential inability to develop new relationships or to expand and manage our existing relationships with partners, the potential inability or unwillingness of our partners to market and sell our products effectively or the loss of existing partnerships could have a material and adverse impact on our business, operating results and financial condition. Our international operations, including our operations in the United Kingdom, mainland Europe, India, Asia-Pacific and other regions, are generally also subject to the risk of longer sales cycles through our international distribution channels. Sales to customers outside the United States accounted for 23%, 24%, and 25% of our total revenue for the fiscal years ended March 31, 2015, 2014 and 2013, respectively.

If our products contain errors, they may be costly to correct, revenue may be delayed, we could be sued and our reputation could be harmed.

Despite testing by our customers and us, errors may be found in our products after commencement of commercial shipments. If errors are discovered, we may not be able to correct them in a timely manner or at all. In addition, we may need to make significant expenditures to eliminate errors and failures. Errors and failures in our products could result in loss of or delay in market acceptance of our products and could damage our reputation. If one or more of our products fail, a customer may assert warranty and other claims for substantial damages against us. The occurrence or discovery of these types of errors or failures could have a material and adverse impact on our business, operating results and financial condition.

Increased customer demands on our technical support services may adversely affect our relationships with our customers and our financial results.

We offer technical support services with many of our products. We may be unable to respond quickly enough to accommodate short-term increases in customer demand for support services. We also may be unable to modify the format of our support services to compete with changes in support services provided by competitors. Further customer demand for these services, without corresponding revenues, could have a material and adverse impact on our financial condition and results of operations.

We must hire and retain skilled personnel, and plan for and manage the succession of key executives.

Our future success depends in large part upon our ability to attract, train, motivate and retain highly skilled employees, particularly executives, sales and marketing personnel, software engineers, and technical support personnel. If we are unable to attract and retain the highly skilled technical personnel that are integral to our sales, marketing, product development and technical support teams, the rate at which we can generate sales and develop new products or product enhancements may be limited. This inability could have a material and adverse impact on our business, operating results and financial condition. In addition, we must maintain and periodically increase the size of our sales force in order to increase our direct sales and support our indirect sales channels. Because our products are very technical, sales people require a comparatively long period of time to become productive, typically three to twelve months. This lag in productivity, as well as the challenge of attracting qualified candidates, may make it difficult to meet our sales force growth targets. Further, we may not generate sufficient sales to offset the increased expense resulting from growing our sales force. If we are unable to maintain and periodically expand our sales capability, our business, operating results and financial condition could be materially and adversely impacted.

Loss of key personnel could adversely impact our business. Our future success depends to a significant degree on the skills, experience and efforts of Anil Singhal, our President, Chief Executive Officer, and co-founder, and our other key executive officers and senior managers to work effectively as a team. The loss of one or more of our key personnel could have a material and adverse impact on our business, operating results and financial condition. We must, therefore, plan for and manage the succession of key executives due to retirement, illness or competitive offers elsewhere.

The success of our business depends, in part, on the continued growth in the market for and the continued commercial demand for service delivery service assurance solutions focused on the performance monitoring and management of applications and networks.

We derive nearly all of our revenue from the sale of products and services that are designed to allow our customers to assure the delivery of services through the management of the performance of applications across IP networks. Therefore, we must be able to predict the appropriate features and prices for future products to address the market, the optimal distribution strategy and the future changes to the competitive environment. In order for us to be successful, our potential customers must recognize the value of more sophisticated application management solutions, decide to invest in the management of their networked applications and, in particular, adopt our management solutions. Any failure of this market to continue to be viable would materially and adversely impact our business, operating results and financial condition. Additionally, businesses may choose to outsource the operations and management of their networks to managed service providers. Our business may depend on our ability to continue to develop relationships with these service providers and successfully market our products to them.

We may not successfully complete acquisitions or integrate acquisitions we do make, which could impair our ability to compete and could harm our operating results.

We may need to acquire complementary businesses, products or technologies to remain competitive or expand our business. We actively investigate and evaluate potential acquisitions of complementary businesses, products and technologies in the ordinary course of business. We may compete for acquisition opportunities with entities having significantly greater resources than us. As a result, we may not succeed in acquiring some or all businesses, products or technologies that we seek to acquire. Our inability to effectively consummate acquisitions on favorable terms could significantly impact our ability to compete effectively in our targeted markets and could negatively affect our results of operations.

Acquisitions that we do complete could adversely impact our business. The potential adverse consequences from acquisitions include:

- the potentially dilutive issuance of common stock or other equity instruments;
- the incurrence of debt and amortization expenses related to goodwill and acquired intangible assets;
- the potentially costly and disruptive impact of assuming unfavorable pre-existing contractual relationships of acquired companies that we would not have otherwise entered into and potentially exiting or modifying such relationships;
- the potential litigation or other claims in connection with, or inheritance of claims or litigation risk as a result of, an acquisition including claims from terminated employees, customers, third parties or enforcement actions by various regulators;
- the incurrence of significant costs and expenses; and
- the potentially negative impact of poor performance of an acquisition on our earnings per share.

Acquisition transactions also involve numerous business risks. These risks from acquisitions include:

- difficulties in assimilating the acquired operations, technologies, personnel and products;
- difficulties in managing geographically dispersed operations;
- difficulties in assimilating diverse financial reporting and management information systems;
- difficulties in maintaining uniform standards, controls, procedures and policies;
- the diversion of management's attention from other business concerns;
- use of cash to pay for acquisitions that may limit other potential uses of our cash, including stock repurchases and retirement of outstanding indebtedness;
- substantial accounting charges for restructuring and related expenses, write-off of in-process research and development, impairment of goodwill, amortization or impairment of intangible assets and share-based compensation expense;
- the potential disruption of our business;
- the potential loss of key employees, customers, distributors or suppliers;
- the inability to generate sufficient revenue to offset acquisition or investment costs; and
- the potential for delays in customer purchases due to uncertainty and the inability to maintain relationships with customers of the acquired businesses.

Failure to manage growth properly and to implement enhanced automated systems could adversely impact our business.

The growth in size and complexity of our business and our customer base has been and will continue to be a challenge to our management and operations. To manage further growth effectively, we must integrate new personnel and manage expanded operations. If we are unable to manage our growth effectively, our costs, the quality of our products, the effectiveness of our sales organization, attraction and retention of key personnel, our business, our operating results and financial condition could be materially and adversely impacted. Any disruptions or ineffectiveness relating to our systems implementations and enhancements could adversely affect our ability to process customer orders, ship products, provide services and support to our customers, bill and track our customers, fulfill contractual obligations, and otherwise run our business.

Our success depends, in part, on our ability to manage our international research and development operations.

We must continue to enhance our existing products and introduce new products in order to keep up with rapid technological change. Our international research and development teams play a critical role in these efforts. We must attract, train, motivate and retain our international research and development team members. To maintain this stable international employee research and development talent, we believe we must provide our international engineers with compelling and strategically significant work, coupled with technical and architectural ownership of their respective development projects. We must develop the leaders of these international teams, while ensuring their frequent inclusion and participation in corporate strategic and operational planning.

If we violate the U.S. Foreign Corrupt Practices Act or applicable anti-bribery laws in other countries, or if we fail to comply with U.S. export controls and government contracting laws, our business could be harmed.

We earn a significant portion of our total revenues from international sales. As a result, we are subject to the U.S. Foreign Corrupt Practices Act (FCPA), which generally prohibits U.S. companies and their intermediaries from making corrupt payments to foreign officials for the purpose of obtaining or keeping business or otherwise obtaining favorable treatment and requires companies to maintain appropriate record-keeping and internal accounting practices to accurately reflect the transactions of the company. Under the FCPA, U.S. companies may be held liable for actions taken by agents or local partners or representatives. In addition, regulators may seek to hold us liable for successor liability FCPA violations committed by companies which we acquire. We are also subject to the U.K. Bribery Act and may be subject to certain anti-corruption laws of other countries in which we do business. We are also subject to the export and re-export control laws of the U.S., including the U.S. Export Administration Regulations (EAR). We are also subject to U.S. government contracting laws, rules and regulations, and may be subject to government contracting laws of other countries in which we do business. If we or our distributors, resellers, agents, or other intermediaries fail to comply with the FCPA, the EAR or U.S. government contracting laws, or the anti-corruption, export or governmental contracting laws of other countries, governmental authorities in the U.S. or other countries could seek to impose civil and/or criminal penalties, which could have a material adverse effect on our business, results of operations, financial conditions and cash flows.

The current economic and geopolitical environment may impact some specific industries into which we sell.

Many of our customers are concentrated in certain industries, including financial services, public sector, healthcare, and the service provider market segment. Certain industries may be more acutely affected by economic, geopolitical and other factors than other sectors. Our public sector customers are affected by federal, state and local budget decisions. To the extent that one or more of the sectors in which our customer base operates is adversely impacted, whether as a result of general conditions affecting all sectors or as a result of conditions affecting only those particular sectors, our business, financial condition and results of operations could be materially and adversely impacted.

Uncertain conditions in the global economy and constraints in the global credit market may adversely affect our revenue and results of operations.

Disruptions in the global economy and constraints in the global credit market may cause some of our customers to reduce, delay, or cancel spending on capital and technology projects, resulting in reduced spending with us. While some industry sectors such as government and telecommunications may be less susceptible to the effects of an economic slowdown, our enterprise customers may be adversely affected, especially in financial services and consumer industries. Continued volatility in, or disruption of financial markets could limit customers' ability to obtain adequate financing to maintain operations and result in a decrease in sales volume that could have a negative impact on our results of operations. Further, competitors may respond to economic conditions by lowering their prices, which could put pressure on our pricing. We could also experience lower than anticipated order levels, cancellations of orders in backlog, defaults on outstanding accounts receivable and extended payment or delivery terms.

The price of our common stock may fluctuate with market volatility.

The market price of our common stock has been volatile and may continue to fluctuate in response to a number of factors, some of which are beyond our control. Trading activity of our stock has historically been relatively thin, in part as a result of officers and directors and institutional stockholders holding a significant percentage of our stock. Broad market fluctuations could adversely affect the market price of our common stock, which in turn could cause impairment of goodwill that could materially and adversely impact our financial condition and results of operations.

It is not uncommon when the market price of a stock has been volatile for holders of that stock to institute securities class action litigation against the company that issues that stock. If any of our stockholders brought such a lawsuit against us, even if the lawsuit is without merit, we could incur substantial costs defending the lawsuit beyond any insurance coverage which we may have for such risks. Such a lawsuit could also divert the time and attention of our management.

We may fail to secure necessary additional financing.

Our future success may depend in part on our ability to obtain additional financing to support our continued growth and operations. If our existing sources of liquidity are insufficient to satisfy our operating requirements, we may need to seek to raise capital by:

- issuing additional common stock or other equity instruments;
- acquiring additional bank debt;
- issuing debt securities; or
- obtaining lease financings.

However, we may not be able to obtain additional capital when we want or need it, or capital may not be available on satisfactory terms. Furthermore, any additional capital may have terms and conditions that adversely affect our business, such as new financial or operating covenants, or that may result in additional dilution to our stockholders.

Our effective tax rate may increase or fluctuate, which could increase our income tax expense and reduce our net income.

Our effective tax rate could be adversely affected by several factors, many of which are outside of our control, including:

- Changes in the relative proportions of revenues and income before taxes in the various jurisdictions in which we operate that have differing statutory tax rates;
- Changing tax laws, regulations, and interpretations in multiple jurisdictions in which we operate as well as the requirements of certain tax rulings;
- Changes in accounting and tax treatment of share-based compensation;
- The valuation of generated and acquired deferred tax assets and the related valuation allowance on these assets;
- The tax effects of purchase accounting for acquisitions and restructuring charges that may cause fluctuations between reporting periods; and
- Tax assessments or any related tax interest or penalties that could significantly affect our income tax expense for the period in which the settlements take place.

An adverse change in our effective tax rate could have a material and adverse effect on our financial condition and results of operations.

Our estimates and judgments related to critical accounting policies could be inaccurate.

We consider accounting policies related to marketable securities, revenue recognition, valuation of goodwill and acquired intangible assets and share-based compensation to be critical in fully understanding and evaluating our financial results. Management makes accounting judgments and estimates related to these policies. Our business, operating results and financial condition could be materially and adversely impacted in future periods if our accounting judgments and estimates related to these critical accounting policies prove to be inaccurate.

Our reliance on sole source suppliers could adversely impact our business.

Specific components that are necessary for the hardware assembly of our instruments are obtained from separate sole source suppliers or a limited group of suppliers. These components include our network interface cards and proprietary NetScout hardware. Our reliance on sole or limited suppliers involves several risks, including a potential inability to obtain an adequate supply of required components and the inability to exercise control over pricing, quality and timely delivery of components. It is our practice to mitigate these risks by partnering with key suppliers, including distributors, to establish a variety of supply continuity practices. These practices may include, among other approaches, establishing buffer supply requiring suppliers to maintain adequate stocks of materials, bonding agreements with distributors, and use-based and kanban programs to set supply thresholds. We also enter into escrow arrangements for certain technologies. Where possible, we use widely-available off the shelf hardware and work with large suppliers with multiple factories and other risk management practices. However, failure of supply or failure to execute effectively on any of these programs could result in our inability to obtain adequate deliveries or the occurrence of any other circumstance that would require us to seek alternative sources of these components would impact our ability to ship our products on a timely basis. This could damage relationships with our current and prospective customers, cause shortfalls in expected revenue, and could materially and adversely impact our business, operating results and financial condition.

Necessary licenses for third-party technology may not be available to us or may be very expensive.

We currently and will in the future license technology from third parties that we use to produce or embed in our products. While we have generally been able to license required third-party technology to date, future required third-party licenses may not be available to us on commercially reasonable terms or at all. Third parties who hold exclusive rights to technology that we seek to license may include our competitors. If we are unable to obtain any necessary third-party licenses, we would be required to redesign our product or obtain substitute technology, which may not perform as well, be of lower quality or be more costly.

Our success depends on our ability to protect our intellectual property rights.

Our business is heavily dependent on our intellectual property. We rely upon a combination of patent, copyright, trademark and trade secret laws and registrations and non-disclosure and other contractual and license arrangements to protect our intellectual property rights. The reverse engineering, unauthorized copying, or other misappropriation of our intellectual property could enable third parties to benefit from our technology without compensating us. Legal proceedings to enforce our intellectual property rights could be burdensome and expensive and could involve a high degree of uncertainty. In addition, legal proceedings may divert management's attention from growing our business. There can be no assurance that the steps we have taken to protect our intellectual property rights will be adequate to deter misappropriation of proprietary information, or that we will be able to detect unauthorized use by third parties and take appropriate steps to enforce our intellectual property rights. Further, we also license software from third parties for use as part of our products, and if any of these licenses were to terminate, we might experience delays in product shipment until we develop or license alternative software.

Others may claim that we infringe on their intellectual property rights.

From time to time we may be subject to claims by others that our products infringe on their intellectual property rights, patents, copyrights or trademarks. These claims, whether or not valid, could require us to spend significant sums in litigation, pay damages or royalties, delay product shipments, reengineer our products, rename our products and rebuild name recognition or acquire licenses to such third-party intellectual property. We may not be able to secure any required licenses on commercially reasonable terms or secure them at all. Any of these claims or resulting events could have a material and adverse impact on our business, operating results and financial condition.

The effectiveness of our disclosure and internal controls may be limited.

Our disclosure controls and procedures and internal control over financial reporting may not prevent all material errors and intentional misrepresentations. Any system of internal control can only provide reasonable assurance that all control objectives are met. Some of the potential risks involved could include, but are not limited to, management judgments, simple errors or mistakes and willful misconduct regarding controls or misinterpretation. Under Section 404 of the Sarbanes-Oxley Act we are required to evaluate and determine the effectiveness of our internal control over financial reporting. Compliance with this legislation requires management's attention and expense. Management's assessment of our internal control over financial reporting may or may not identify weaknesses that need to be addressed in our internal control system. If we are unable to conclude that our internal control over financial reporting is effective, investors could lose confidence in our reported financial information which could have an adverse effect on the market price of our stock or impact our borrowing ability. In addition, changes in operating conditions and changes in compliance with policies and procedures currently in place may result in inadequate internal control over financial reporting in the future.

We or our suppliers may be impacted by new regulations related to climate change.

We or our suppliers may become subject to new laws enacted with regards to climate change. In the event that new laws are enacted or current laws are modified in countries in which we or our suppliers operate, our flow of product may be impacted which could have a material and adverse effect on our financial condition and results of operations.

Uncertainties of regulation of the Internet and data traveling over the Internet could have a material and adverse impact on our financial condition and results of operations.

Currently, few laws or regulations apply directly to access to or commerce on the Internet. We could be materially adversely affected by regulation of the Internet and Internet commerce in any country where we operate. Such regulations could include matters such as net neutrality. Further, governments may regulate or restrict the sales, licensing, distribution, and export or import of certain technologies to certain countries. The adoption of regulation of the Internet and Internet commerce could decrease demand for our products and, at the same time, increase the cost of selling our products, which could have a material and adverse effect on our financial condition and results of operations. In addition, the enactment of new federal, state, or foreign data privacy laws and regulations could cause customers not to be able to take advantage of all the features or capabilities of our products which in turn could reduce demand for certain of our products.

If a security breach or cyber attack of our IT networks and systems, or any of our products, occurs, our operations could be interrupted, our products and services may be perceived as vulnerable, and our brand and reputation could be damaged, which could reduce revenue, increase expenses, and expose us to legal claims or regulatory actions.

Although we believe we have sufficient controls and security measures in place to prevent such attacks, our IT networks and systems, and our products, may still be vulnerable to data theft, computer viruses, programming errors, attacks by third parties or similar problems. If we, or our customers using our products, were to experience a security breach or cyber attack, we could be required to incur substantial costs and liabilities, including but not limited to, expenses attributable to rectifying the security breach or cyber attack including the cost of repairing any damage to our, or our customers' systems, liability for stolen assets or information, lost revenue and income resulting from any system or product downtime, increased costs for cyber security protection, and damage to our reputation causing customers and possibly investors to lose confidence in us. Similarly, an actual or perceived breach of our customers’ network security allowing access to our customers’ data centers or other parts of their IT environments, regardless of whether the breach is attributable to our products, may cause contractual disputes and could require significant expenditures of our capital and diversion of our resources from development efforts.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We currently lease approximately 175,000 square feet of space in an office building in Westford, Massachusetts for our headquarters. The current lease will expire in September 2023, and we have an option to extend the lease for two additional five-year terms. We lease office space in twenty-nine international cities for our sales and support personnel, as well as 72,742 square feet of space in San Jose, California. We lease 63,296 square feet of office space for our engineering and support personnel in India. We believe that our existing facilities are adequate to meet our foreseeable requirements or that suitable additional or substitute space will be available on commercially reasonable terms.

Item 3. Legal Proceedings

From time to time, NetScout is subject to legal proceedings and claims in the ordinary course of business. In the opinion of management, the amount of ultimate expense with respect to any current legal proceedings and claims, if determined adversely, will not have a significant adverse effect on our financial condition, results of operations or cash flows.

Item 4. Mine Safety Disclosures

None.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Price Range of Common Stock

Our common stock trades on the Nasdaq Global Select Market, under the symbol NTCT. The following table sets forth, for the periods indicated, the high and low intraday sales prices for our common stock. Such information reflects inter-dealer price, without retail mark-up, markdown or commission and may not represent actual transactions.

Quarter Ended	High	Low
Fiscal Year 2014		
June 30, 2013	$ 24.92	$ 21.22
September 30, 2013	$ 27.55	$ 23.22
December 31, 2013	$ 30.76	$ 24.04
March 31, 2014	$ 39.10	$ 28.64
Fiscal Year 2015		
June 30, 2014	$ 44.54	$ 33.30
September 30, 2014	$ 48.13	$ 41.15
December 31, 2014	$ 46.17	$ 31.59
March 31, 2015	$ 44.76	$ 33.53

Stockholders

At April 30, 2015, we had 71 stockholders of record. We believe that the number of beneficial holders of our common stock exceeds 14,000.

Stock Performance Graph

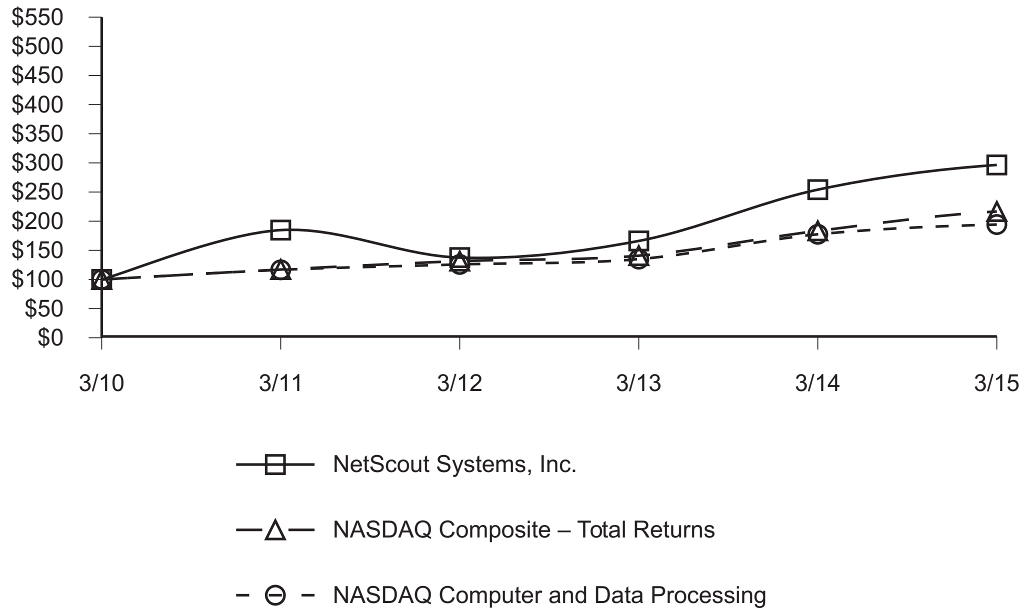
This performance graph shall not be deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any filing of NetScout under the Exchange Act or the Securities Act of 1933, as amended.

The Stock Performance Graph set forth below compares the yearly change in the cumulative total stockholder return on our common stock during the five year period from March 31, 2010 through March 31, 2015 with the cumulative total return of the Nasdaq Composite Index and the Nasdaq Computer & Data Processing Index. The comparison assumes $100 was invested on March 31, 2010 in our common stock or in the Nasdaq Composite Index and the Nasdaq Computer & Data Processing Index and assumes reinvestment of dividends, if any.

The stock price performance shown on the graph below is not necessarily indicative of future price performance. Information used in the graph was obtained from Zacks Investment Research, Inc.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN

Assumes Initial Investment of $100



	3/31/2010	3/31/2011	3/31/2012	3/31/2013	3/31/2014	3/31/2015
NetScout Systems, Inc.	$ 100.00	$ 184.72	$ 137.53	$ 166.13	$ 254.09	$ 296.48
NASDAQ Composite – Total Returns	$ 100.00	$ 117.06	$ 131.47	$ 140.86	$ 183.38	$ 216.60
NASDAQ Computer and Data Processing	$ 100.00	$ 116.54	$ 125.84	$ 134.91	$ 177.53	$ 194.25

Dividend Policy

In fiscal years 2015 and 2014, we did not declare any cash dividends and do not anticipate declaring cash dividends in the foreseeable future. In addition, the terms of our credit facility limit our ability to pay cash dividends on our capital stock. It is our intention to retain all future earnings for reinvestment to fund our expansion and growth, as well as for our stock buyback program further described under Item 7 “Liquidity and Capital Resources.” Any future cash dividend declaration will be at the discretion of our Board of Directors and will depend upon, among other things, our future earnings, general financial conditions, capital requirements, existing bank covenants and general business conditions.

Purchases of Equity Securities by the Issuer

The following table provides information about purchases we made during the quarter ended March 31, 2015 of equity securities that are registered by us pursuant to Section 12 of the Exchange Act:

	Total Number of Shares Purchased(1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value of Shares That May Yet be Purchased Under the Plans or Programs
1/1/2015 - 1/31/2015	48,303	$ 35.36	44,100	
2/1/2015 - 2/28/2015	210,602	38.32	210,300	
3/1/2015 - 3/31/2015	245,600	42.31	245,600	
Total	504,505	$ 39.98	500,000	$ 68,507,458

(1) We purchased an aggregate of 4,505 shares transferred to us from employees in satisfaction of minimum tax withholding obligations associated with the vesting of restricted stock units during the period. The purchases of these restricted stock units reflected in the table do not reduce the maximum dollar value of shares that may be purchased under our previously announced stock repurchase program.

Item 6. Selected Financial Data

SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated financial data set forth below should be read in conjunction with our audited consolidated financial statements and notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included under Item 7 of this Annual Report on Form 10-K. The consolidated statement of operations data for the fiscal years ended March 31, 2015, 2014 and 2013 and the consolidated balance sheet data at March 31, 2015 and 2014 are derived from audited consolidated financial statements included under Item 8 of this Annual Report on Form 10-K. The consolidated statement of operations data for the fiscal years ended March 31, 2012 and 2011 and the consolidated balance sheet data at March 31, 2013, 2012 and 2011 have been derived from audited consolidated financial statements of NetScout that do not appear in this Annual Report on Form 10-K. The historical results are not necessarily indicative of the operating results to be expected in the future.

	Year Ended March 31,				
	2015	2014	2013 (1)	2012 (2)	2011
	(In thousands, except per share data)				
Statement of Operations Data:					
Revenue:					
Product	$ 272,895	$ 234,268	$ 198,749	$ 168,141	$ 159,948
Service	180,774	162,379	151,801	140,538	130,592
Total revenue	453,669	396,647	350,550	308,679	290,540
Cost of revenue:					
Product	59,037	51,219	45,752	39,271	38,175
Service	35,524	33,294	28,256	26,401	23,186
Total cost of revenue	94,561	84,513	74,008	65,672	61,361
Gross profit	359,108	312,134	276,542	243,007	229,179
Operating expenses:					
Research and development	75,242	70,454	61,546	49,478	40,628
Sales and marketing	136,446	129,611	116,807	109,624	105,271
General and administrative	47,296	30,623	29,718	27,488	23,308
Amortization of acquired intangible assets	3,351	3,432	2,877	2,131	1,907
Restructuring charges	—	—	1,065	603	—
Total operating expenses	262,335	234,120	212,013	189,324	171,114
Income from operations	96,773	78,014	64,529	53,683	58,065
Interest and other expense, net	(1,808)	(158)	(793)	(2,765)	(1,772)
Income before income tax expense	94,965	77,856	63,736	50,918	56,293
Income tax expense	33,773	28,750	23,127	18,490	19,028
Net income	$ 61,192	$ 49,106	$ 40,609	$ 32,428	$ 37,265
Basic net income per share	$ 1.49	$ 1.19	$ 0.97	$ 0.77	$ 0.89
Diluted net income per share	$ 1.47	$ 1.17	$ 0.96	$ 0.76	$ 0.87
Weighted average common shares outstanding used in computing:					
Net income per share—basic	41,105	41,366	41,665	42,035	42,059
Net income per share—diluted	41,637	41,955	42,322	42,750	42,973

(1) During the fiscal year ended March 31, 2013, NetScout completed the acquisitions of ONPATH Technologies, Inc. and Accanto Systems, S.r.l. for approximately $51.8 million.

(2) During the fiscal year ended March 31, 2012, NetScout completed the acquisitions of Psytechnics, Ltd., Fox Replay BV and Simena LLC for approximately $47.3 million collectively.

	March 31,				
	2015	2014	2013(1)	2012 (2)	2011
			(In thousands)		
Balance Sheet Data:					
Cash, cash equivalents and short- and long-term marketable securities	$ 264,857	$ 218,794	$ 154,091	$ 213,516	$ 228,478
Working capital	$ 149,651	$ 115,798	$ 92,141	$ 155,596	$ 147,136
Total assets	$ 669,049	$ 607,763	$ 552,176	$ 567,757	$ 527,570
Debt	$ —	$ —	$ —	$ 62,000	$ 68,106
Total stockholders' equity	$ 435,750	$ 409,161	$ 371,903	$ 342,369	$ 319,559

(1) During the fiscal year ended March 31, 2013, NetScout completed the acquisitions of ONPATH Technologies, Inc. and Accanto Systems S.r.l. for approximately $51.8 million, including $527 thousand in cash.

(2) During the fiscal year ended March 31, 2012, NetScout completed the acquisitions of Psytechnics, Ltd., Fox Replay BV and Simena LLC for approximately $47.3 million, including $616 thousand in cash.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following information should be read in conjunction with the audited consolidated financial information and the notes thereto included in this Annual Report on Form 10-K. In addition to historical information, the following discussion and other parts of this Annual Report contain forward-looking statements that involve risks and uncertainties. You should not place undue reliance on these forward-looking statements. Actual events or results may differ materially due to competitive factors and other factors discussed in Item 1A. "Risk Factors" and elsewhere in this Annual Report. These factors may cause our actual results to differ materially from any forward-looking statement. Forward-looking statements do not contemplate the proposed acquisition.

Overview

We are an industry leader for advanced network, application and service assurance solutions, providing high-quality performance analytics and operational intelligence solutions that facilitate the evolution toward new computing paradigms, such as virtualization, mobility and cloud. We design, develop, manufacture, market, license, sell and support these products focused on assuring service delivery quality, performance and availability for some of the world's largest, most demanding and complex internet protocol (IP) based service delivery environments. We manufacture and market these products in integrated hardware and software solutions that are used by commercial enterprises, large governmental agencies and telecommunication service providers worldwide. We have a single operating segment and substantially all of our identifiable assets are located in the United States.

We have been a technology innovator for three-plus decades since our founding in 1984. Our solutions continue to change how organizations manage and optimize the delivery of business applications and services and assure user experience across global IP networks. We have continually enhanced and expanded our product portfolio to meet the needs of organizations by providing solutions to manage dynamic network and application environments and by improving user experience by providing high-value analytics that help validate and assure service availability, quality and reliability.

Our solutions are intended to help users in various roles to: quickly analyze data, achieve real-time visibility into and intelligence about their organization's operations, identify service delivery issues early, improve service levels, reduce operational costs, mitigate security risks, and drive better business decisions. Our value proposition to our customers is helping them to achieve their objectives regarding return on investments and risk mitigation as they develop their IT infrastructure to support their business needs. Our proactive intelligence and analytics provides our customer with knowledge regarding potential issues before their users are impacted.

Our mission is to enable information technology (IT) and service providers to realize maximum benefit with minimal risk from technology advances, like IP convergence, network function virtualization (NFV), software defined networking (SDN), virtualization, cloud, mobility, bring your own device (BYOD), web, and the evolving Internet by managing the inherent complexity in a cost-effective manner. Our Adaptive Session Intelligence (ASI) technology, which we have developed in support of this mission, has the potential of not only expanding our leadership in the network performance management and application performance management (NPM+APM) space, but can also serve as a gateway for future intelligence solutions including cyber and business intelligence.

Many of the largest service providers, cloud based businesses, enterprise and government customers rely on us to assure service delivery and the user experience of their customers. Our customers are in just about every vertical market including financials, health care, utilities, internet, manufacturing, retail, as well as the service providers. We are a market leader in helping service provider's get a return on their 4G/LTE investment by providing them with the intelligence they need about aspects of service delivery from handset performance to user preferences to network speed.

Our operating results are influenced by a number of factors, including, but not limited to, the mix and quantity of products and services sold, pricing, costs of materials used in our products, growth in employee related costs, including commissions, and the expansion of our operations. Factors that affect our ability to maximize our operating results include, but are not limited to, our ability to introduce and enhance existing products, the marketplace acceptance of those new or enhanced products, continued expansion into international markets, development of strategic partnerships, competition, successful acquisition integration efforts, our ability to achieve expense reductions and make structural improvements and current economic conditions.

During Fiscal Year 2015, we continued to invest in development programs aimed at enhancing our range of offerings, including delivering new features and functionality for our nGeniusONETM platform that addresses the evolving requirements of our enterprise, service provider and government customers. The nGeniusONE platform is powered by Adaptive Session Intelligence™ (ASI) 2.0, NetScout's next generation Deep Packet Inspection (DPI) technology that exploits the inherent richness of packet-flow data to provide real-time, contextual analysis of service, network, and application performance. The patented ASI technology is a critical differentiating technology that enables the creation of statistical metadata, session transaction records and adaptive session traces enabling real-time, scalable monitoring of all users, all applications and all services consistently across the network. NetScout's solutions are used by customers to better understand and manage network and application performance, alert themselves to problems that impacting end users, validate services and network policy, plan and optimize network capacity, generate timely reports and conduct deep forensic and historical analysis.

On October 12, 2014, NetScout, Danaher, Newco Merger Sub and Merger Sub II, entered into the Merger Agreement pursuant to which NetScout will acquire the Communications Business in a Reverse Morris Trust transaction. For additional information regarding the proposed acquisition, see Note 20 of our Notes to Consolidated Financial Statements.

Results Overview

We generated continued growth during the fiscal year ended March 31, 2015, with product revenue growth of 16% and overall revenue growth of 14% compared to the prior fiscal year. Our diluted net income per share for the fiscal year ended March 31, 2015 was $1.47 per share, representing a $0.30, or 26%, increase over the same period in the prior year. Our business has maintained strong gross profit margins. Our gross margin for the fiscal year ended March 31, 2015 remained flat at 79% compared to the same period in the prior year.

The combination of continued revenue growth, strong gross profit margins and a scalable infrastructure supported by prudent investment across key areas of our business, including research and development initiatives, and sales and marketing programs, has enabled us produce strong operating profit margins. Despite higher one-time expenses associated with the aforementioned planned acquisition of Danaher's Communications Business, our operating profit margin for the fiscal year ended March 31, 2015 was 21%, as compared to 20% for the same period in the prior year.

We continue to maintain strong liquidity. At March 31, 2015, we had cash, cash equivalents and marketable securities of $264.9 million. This represents an increase of $46.1 million over the previous fiscal year ended March 31, 2014.

Use of Non-GAAP Financial Measures

We supplement the generally accepted accounting principles (GAAP) financial measures we report in quarterly and annual earnings announcements, investor presentations and other investor communications by reporting the following non-GAAP measures: non-GAAP revenue, non-GAAP net income and non-GAAP net income per diluted share. Non-GAAP revenue eliminates the GAAP effects of acquisitions by adding back revenue related to deferred revenue revaluation. Non-GAAP net income includes the foregoing adjustment and also removes inventory fair value adjustments, expenses related to the amortization of acquired intangible assets, share-based compensation, restructuring, certain expenses relating to acquisitions including compensation for post-combination services and business development charges, net of related income tax effects. Non-GAAP diluted net income per share also excludes these expenses as well as the related impact of all these adjustments on the provision for income taxes.

These non-GAAP measures are not in accordance with GAAP, should not be considered an alternative for measures prepared in accordance with GAAP (revenue, net income and diluted net income per share), and may have limitations in that they do not reflect all our results of operations as determined in accordance with GAAP. These non-GAAP measures should only be used to evaluate our results of operations in conjunction with the corresponding GAAP measures. The presentation of non-GAAP information is not meant to be considered superior to, in isolation from, or as a substitute for results prepared in accordance with GAAP.

Management believes these non-GAAP financial measures enhance the reader's overall understanding of our current financial performance and its prospects for the future by providing a higher degree of transparency for certain financial measures and providing a level of disclosure that helps investors understand how we plan and measure our business. We believe that providing these non-GAAP measures affords investors a view of our operating results that may be more easily compared to our peer companies and also enables investors to consider our operating results on both a GAAP and non-GAAP basis during and following the integration period of our acquisitions. Presenting the GAAP measures on their own may not be indicative of our core operating results. Furthermore, management believes that the presentation of non-GAAP measures when shown in conjunction with the corresponding GAAP measures provide useful information to management and investors regarding present and future business trends relating to our financial condition and results of operations.

The following table reconciles revenue, net income and net income per share on a GAAP and non-GAAP basis for the years ended March 31, 2015, 2014 and 2013:

	Fiscal Year Ended March 31, (Dollars in Thousands, Except per Share Data)		
	2015	**2014**	**2013**
GAAP revenue	$ 453,669	$ 396,647	$ 350,550
Deferred revenue fair value adjustment	18	558	1,215
Non-GAAP revenue	$ 453,687	$ 397,205	$ 351,765
GAAP net income	$ 61,192	$ 49,106	$ 40,609
Deferred revenue fair value adjustments	18	558	1,215
Inventory fair value amortization	—	—	453
Share-based compensation expense	16,580	12,930	9,580
Amortization of acquired intangible assets	6,990	6,765	7,424
Business development and integration expense	11,956	523	1,618
Compensation for post combination services	1,414	2,215	2,721
Restructuring charges	—	—	1,065
Income tax adjustments	(13,810)	(7,879)	(8,671)
Non-GAAP net income	$ 84,340	$ 64,218	$ 56,014
GAAP diluted net income per share	$ 1.47	$ 1.17	$ 0.96
Share impact of non-GAAP adjustments identified above	0.56	0.36	0.36
Non-GAAP diluted net income per share	$ 2.03	$ 1.53	$ 1.32

Critical Accounting Policies

We consider accounting policies related to marketable securities, revenue recognition, valuation of goodwill, intangible assets and other acquisition accounting items, and share based compensation to be critical in fully understanding and evaluating our financial results. We apply significant judgment and create estimates when applying these policies.

Marketable Securities

We measure the fair value of our marketable securities at the end of each reporting period. Fair value is defined as the exchange price that would be received for an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Marketable securities are recorded at fair value and have been classified as Level 1 or 2 within the fair value hierarchy. Fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in accessible active markets for identical assets or liabilities. Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves.

Investments and marketable securities are considered to be impaired when a decline in fair value below cost basis is determined to be other-than-temporary. We periodically evaluate whether a decline in fair value below cost basis is other-than-temporary by considering available evidence regarding these investments including, among other factors, the duration of the period that, and extent to which, the fair value is less than cost basis, the financial health of and business outlook for the issuer, including industry and sector performance and operational and financing cash flow factors, overall market conditions and trends and our intent and ability to retain our investment in the security for a period of time sufficient to allow for an anticipated recovery in market value. Once a decline in fair value is determined to be other-than-temporary, a write-down is recorded and a new cost basis in the security is established. Assessing the above factors involves inherent uncertainty. Write-downs, if recorded, could be materially different from the actual market performance of investments and marketable securities in our portfolio if, among other things, relevant information related to our investments and marketable securities was not publicly available or other factors not considered by us would have been relevant to the determination of impairment.

Revenue Recognition

Product revenue consists of sales of our hardware products (which include required embedded software that works together with the hardware to deliver the hardware's essential functionality), licensing of our software products, and sale of hardware bundled with a software license. Product revenue is recognized upon shipment, provided that evidence of an arrangement exists, title and risk of loss have passed to the customer, fees are fixed or determinable and collection of the related receivable is probable. Because many of our solutions are comprised of both hardware and more than incidental software components, we recognize revenue in accordance with authoritative guidance on both hardware and software revenue recognition.

Service revenue consists primarily of fees from customer support agreements, consulting and training. We generally provide software and hardware support as part of product sales. Revenue related to the initial bundled software and hardware support is recognized ratably over the support period. In addition, customers can elect to purchase extended support agreements for periods after the initial software warranty expiration. Support services generally include rights to unspecified upgrades (when and if available), telephone and internet-based support, updates and bug fixes. Reimbursements of out-of-pocket expenditures incurred in connection with providing consulting services are included in services revenue, with the offsetting expense recorded in cost of service revenue. Training services include on-site and classroom training. Training revenues are recognized as the related training services are provided.

Generally, our contracts are accounted for individually. However, when contracts are closely interrelated and dependent on each other, it may be necessary to account for two or more contracts as one to reflect the substance of the group of contracts.

Multi-element arrangements are concurrent customer purchases of a combination of our product and service offerings that may be delivered at various points in time. For multi-element arrangements comprised only of hardware products and related services, we allocate the total arrangement consideration to the multiple elements based on each element's selling price compared to the total relative selling price of all the elements. Each element's selling price is based on management's best estimate of selling price (BESP) paid by customers based on the element's historical pricing when VSOE or third party evidence (TPE) does not exist. We have established BESP for product elements as the average selling price the element was sold for over the past six quarters, whether sold alone or sold as part of a multiple element transaction. Our internal list price for products, reviewed quarterly by senior management, with consideration in regards to changing factors in our technology and in the marketplace, is generated to target the desired gross margin from sales of product after analyzing historical discounting trends. We review sales of the product elements on a quarterly basis and update, when appropriate, BESP for such elements to ensure that it reflects recent pricing experience. We have established VSOE for services related undelivered elements based on historical stand-alone sales.

For multi-element arrangements comprised only of software products and related services, we allocate a portion of the total arrangement consideration to the undelivered elements, primarily support agreements and training, using VSOE of fair value for the undelivered elements. The remaining portion of the total arrangement consideration is allocated to the delivered software, referred to as the residual method. VSOE of fair value of the undelivered elements is based on the price customers pay when the element is sold separately. We review the separate sales of the undelivered elements on a quarterly basis and update, when appropriate, our VSOE of fair value for such elements to ensure that it reflects recent pricing experience. If we cannot objectively determine the VSOE of the fair value of any undelivered software element, we defer revenue until all elements are delivered and services have been performed, or until fair value can objectively be determined for any remaining undelivered elements.

For multi-element arrangements comprised of a combination of hardware and software elements, the total arrangement consideration is bifurcated between the hardware and hardware related deliverables and the software and software related deliverables based on the relative selling prices of all deliverables as a group. Then, arrangement consideration for the hardware and hardware-related services is recognized upon delivery or as the related services are provided outlined above and revenue for the software and software-related services is allocated following the residual method and recognized based upon delivery or as the related services are provided.

Our product is distributed through our direct sales force and indirect distribution channels through alliances with resellers. Revenue arrangements with resellers are recognized on a sell-in basis; that is, when we deliver the product to the reseller. We record consideration given to a reseller as a reduction of revenue to the extent we have recorded revenue from the reseller. We do not offer contractual rights of return, stock balancing, or price protection to our resellers, and actual product returns from them have been insignificant to date. In addition, we have a history of successfully collecting receivables from the resellers. As a result, we do not maintain reserves for reseller product returns.

Valuation of Goodwill, Intangible Assets and Other Acquisition Accounting Items

The carrying value of goodwill was $197.4 million and $203.4 million at March 31, 2015 and 2014, respectively. We have two reporting units: (1) Unified Service Delivery and (2) Test Optimization. Goodwill is tested for impairment at a reporting unit level at least annually, or on an interim basis if an event occurs or circumstances change that would, more likely than not, reduce the fair value of the reporting segment below its carrying value.

We performed the qualitative Step 0 assessment on our Unified Service Delivery reporting unit. In performing the qualitative Step 0 assessment, we considered certain events and circumstances specific to the entity at the reporting unit level, such as macroeconomic conditions, industry and market considerations, overall financial performance and cost factors when evaluating whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. No indicators of impairment were noted at January 31, 2015.

We performed the quantitative Step 1 assessment on our Test Optimization reporting unit. If the reporting unit's carrying value exceeds its fair value, we record an impairment loss equal to the difference between the carrying value of goodwill and its implied fair value. We estimate the fair values of our reporting units using discounted cash flow valuation models. Those models require estimates of future revenues, profits, capital expenditures, working capital, terminal values based on revenue multiples, and discount rates for each reporting unit. We estimate these amounts by evaluating historical trends, current budgets, operating plans and industry data. The estimated fair value of the Test Optimization reporting unit was approximately 120 percent greater than its carrying value as of January 31, 2015.

Additionally, the market capitalization of NetScout as a whole significantly exceeded its carrying value.

The carrying value of intangible assets was $50.2 million and $58.5 million at March 31, 2015 and 2014, respectively. Intangible assets acquired in a business combination are recorded under the acquisition method of accounting at their estimated fair values at the date of acquisition. We amortize intangible assets over their estimated useful lives, except for the acquired tradename which resulted from the Network General acquisition, which has an indefinite life and thus, is not amortized. The carrying value of the indefinite lived tradename is evaluated annually or more frequently if events or changes in circumstances indicate that the asset might be impaired.

Indefinite-lived intangible assets are tested for impairment at a reporting unit level at least annually, or on an interim basis if an event occurs or circumstances change that would, more likely than not, reduce the fair value of the reporting segment below its carrying value. To test impairment, we first assess qualitative factors to determine whether the existence of events and circumstances indicate that it is more likely than not that the indefinite-lived intangible asset is impaired. If based on our qualitative assessment we conclude that it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount, quantitative impairment testing is required. However, if we conclude otherwise, quantitative impairment testing is not required. We completed our annual impairment test of the indefinite lived intangible at January 31, 2015 using the qualitative Step 0 assessment described above, which largely mirrors the Unified Service Delivery analysis, as the tradenames apply to a majority of the products and branding within that reporting unit. No impairment indicators were observed as of January 31, 2015.

We have acquired two companies during the three year period ended March 31, 2015. The acquisition method of accounting requires that we estimate the fair value of the assets and liabilities acquired as part of these transactions. In order to estimate the fair value of acquired intangible assets we use a relief from royalty model which requires management to estimate: future revenues expected to be generated by the acquired intangible assets, a royalty rate which a market participant would pay related to the projected revenue stream, a present value factor which approximates a risk adjusted rate of return for a market participant purchasing the assets, and a technology migration curve representing a period of time over which the technology assets or some portion thereof are still being used. We are also required to develop the fair value for customer relationships acquired as part of these transactions which requires that we create estimates for the following items: a projection of future revenues associated with the acquired company's existing customers, a turnover rate for those customers, a margin related to those sales, and a risk adjusted rate of return for a market participant purchasing those relationships.

The acquisition of Simena LLC on November 18, 2011 also contained contingent consideration based on the ultimate settlement of assets and liabilities acquired as part of transaction, and the former owners' future period of employment with the Company. Contingent consideration accounting requires the Company to estimate the probability of various settlement scenarios, the former owners' expected period of employment with NetScout, and a risk adjusted interest rate to present value to the payment streams.

Share-based Compensation

We recognize compensation expense for all share-based payments. Under the fair value recognition provisions, we recognize share-based compensation net of an estimated forfeiture rate and only recognize compensation cost for those shares expected to vest on a straight-line basis over the requisite service period of the award.

We are required to estimate the expected forfeiture rate and only recognize expense for those shares expected to vest. If our actual forfeiture rate is materially different from our estimate, the share-based compensation expense could be significantly different from what we have recorded in the current period.

Based on historical experience, we assumed an annualized forfeiture rate of 0% for awards granted to our directors, an annualized forfeiture rate of 2% for awards granted to our senior executives, and an annualized forfeiture rate of 5% for all remaining employees. We will record additional expense if the actual forfeitures are lower than estimated and will record a recovery of prior expense if the actual forfeitures are higher than estimated.

Results of Operations

Comparison of Years Ended March 31, 2015 and 2014

Revenue

Product revenue consists of sales of our hardware products and licensing of our software products. Service revenue consists of customer support agreements, consulting and training. During the fiscal year ended March 31, 2015, two direct customers accounted for more than 10% of total revenue, while no indirect channel partner accounted for more than 10% of total revenue. During the fiscal year ended March 31, 2014, one direct customer accounted for more than 10% of our total revenue, while no indirect channel partner accounted for more than 10% of total revenue.

	Fiscal Year Ended March 31, (Dollars in Thousands)					
	2015		2014		Change	
		% of Revenue		% of Revenue	$	%
Revenue:						
Product	$ 272,895	60%	$ 234,268	59%	$ 38,627	16%
Service	180,774	40	162,379	41	18,395	11%
Total revenue	$ 453,669	100%	$ 396,647	100%	$ 57,022	14%

Product. The 16%, or $38.6 million, increase in product revenue was due to a $26.8 million increase in revenue from our service provider sector, a $7.5 million increase in revenue from our government enterprise sector and a $4.3 million increase in revenue from our general enterprise sector.

Compared to the same period in the prior year, we realized a 6% increase in units shipped and a 7% increase in the average selling price per unit of our products.

We expect continued growth in our service provider sector through the fiscal year ending March 31, 2016. We also expect growth in our general enterprise market for the fiscal year ending March 31, 2016.

Service. The 11%, or $18.4 million, increase in service revenue was due to a $13.4 million increase in revenue from new maintenance contracts and renewals from a growing support base, a $4.6 million increase in premium support contracts and a $328 thousand increase in revenue from training. We expect single digit percentage growth in our service revenues through the fiscal year ending March 31, 2016. We expect this to be generated by product revenue growth which increases our installed base and therefore our related maintenance contracts.

Total product and service revenue from direct and indirect channels are as follows:

	Fiscal Year Ended March 31, (Dollars in Thousands)				Change	
	2015		2014			
		% of Revenue		% of Revenue	$	%
Indirect	$ 220,093	49%	$ 195,484	49%	$ 24,609	13%
Direct	233,576	51	201,163	51	32,413	16%
Total revenue	$ 453,669	100%	$ 396,647	100%	$ 57,022	14%

The 16%, or $32.4 million, increase in direct revenue is primarily the result of increased domestic revenue from our service provider customers. The 13%, or $24.6 million, increase in indirect channel revenue is primarily the result of the increases in sales to our government enterprise sector in the United States and the service provider sector across international geographies. Sales to customers outside the United States are export sales typically through channel partners, who are generally responsible for distributing our products and providing technical support and service to customers within their territories. Our reported international revenue does not include any revenue from sales to customers outside the United States that are shipped to our United States-based indirect channel partners. These domestic resellers fulfill customer orders based upon joint selling efforts in conjunction with our direct sales force and may subsequently ship our products to international locations; however, we report these shipments as United States revenue since we ship the products to a domestic location.

Total revenue by geography is as follows:

	Fiscal Year Ended March 31, (Dollars in Thousands)				Change	
	2015		2014			
		% of Revenue		% of Revenue	$	%
United States	$ 348,354	77%	$ 303,364	76%	$ 44,990	15%
International:						
Europe	46,253	10	45,837	12	416	1%
Asia	27,685	6	20,646	5	7,039	34%
Rest of the world	31,377	7	26,800	7	4,577	17%
Subtotal international	105,315	23	93,283	24	12,032	13%
Total revenue	$ 453,669	100%	$ 396,647	100%	$ 57,022	14%

United States revenues increased 15%, or $45.0 million, primarily as a result of an increase in revenue from our service provider sector. The 13%, or $12.0 million, increase in international revenue is primarily due to an increase in revenue from our service provider sector across international geographies. We expect revenue from sales to customers outside the United States to continue to account for a significant portion of our total revenue in the future. In accordance with United States export control regulations, we do not sell to, or do business with, countries subject to economic sanctions and export controls.

Cost of Revenue and Gross Profit

Cost of product revenue consists primarily of material components, manufacturing personnel expenses, packaging materials, overhead and amortization of capitalized software, acquired software and core technology. Cost of service revenue consists primarily of personnel, material, overhead and support costs.

	Fiscal Year Ended March 31, (Dollars in Thousands)					
	2015		2014		Change	
		% of Revenue		% of Revenue	$	%
Cost of revenue:						
Product	$ 59,037	13%	$ 51,219	13%	$ 7,818	15%
Service	35,524	8	33,294	8	2,230	7%
Total cost of revenue	$ 94,561	21%	$ 84,513	21%	$ 10,048	12%
Gross profit:						
Product $	$ 213,858	47%	$ 183,049	46%	$ 30,809	17%
Product gross profit %	78%		78%		—%	
Service $	145,250	32%	129,085	33%	16,165	13%
Service gross profit %	80%		79%		1%	
Total gross profit $	$ 359,108		$ 312,134		$ 46,974	15%
Total gross profit %	79%		79%		—%	

Product. The 15%, or $7.8 million, increase in cost of product revenue was primarily due to the 16%, or $38.6 million increase in product revenue for the fiscal year ended March 31, 2015 when compared to the fiscal year ended March 31, 2014. In addition, there was a $2.0 million increase in inventory obsolescence charges and a $300 thousand increase in amortization of intangible assets. The product gross profit percentage remained flat at 78% during the fiscal year ended March 31, 2015 as compared to the same period in the prior year. Average headcount in cost of product revenue was 32 for the years ended March 31, 2015 and 2014, respectively.

Service. The 7%, or $2.2 million, increase in cost of service revenue was primarily due to a $3.6 million increase in employee related expenses resulting in part from increased headcount to support our growing installed base, as well as from increased compensation related items for the fiscal year ended March 31, 2015 when compared to the fiscal year ended March 31, 2014. This increase was partially offset by a $1.4 million decrease in allocated overhead. The service gross profit percentage increased by one percentage point to 80% for the fiscal year ended March 31, 2015 when compared to the fiscal year ended March 31, 2014. The 13%, or $16.2 million, increase in service gross profit corresponds with the 11%, or $18.4 million, increase in service revenue, partially offset by the 7%, or $2.2 million, increase in cost of services. Average headcount in cost of service revenue was 168 and 146 for the years ended March 31, 2015 and 2014, respectively.

Gross profit. Our gross profit increased 15%, or $47.0 million. This increase is attributable to our increase in revenue of 14%, or $57.0 million, partially offset by a $10.0 million, or 12%, increase in cost of revenue. The gross margin percentage remained flat at 79% during the fiscal year ended March 31, 2015 when compared to the same period in the prior year. Overall we expect our gross margin percentage to remain relatively flat in future periods with increased sales volumes offset by corresponding increases in product and service costs.

Operating Expenses

	Fiscal Year Ended March 31, (Dollars in Thousands)				Change	
	2015		2014			
		% of Revenue		% of Revenue	$	%
Research and development	$ 75,242	17%	$ 70,454	18%	$ 4,788	7 %
Sales and marketing	136,446	30	129,611	33	6,835	5 %
General and administrative	47,296	10	30,623	8	16,673	54 %
Amortization of acquired intangible assets	3,351	1	3,432	1	(81)	(2)%
Total operating expenses	$ 262,335	58%	$ 234,120	60%	$ 28,215	12 %

Research and development. Research and development expenses consist primarily of personnel expenses, fees for outside consultants, overhead and related expenses associated with the development of new products and the enhancement of existing products.

The 7%, or $4.8 million, increase in research and development expenses was due to a $3.6 million increase in employee related expenses resulting in part from increased headcount as well as from increased compensation related items, a $1.3 million increase in depreciation expense, a $945 thousand increase in consulting expenses, and a $320 thousand increase in allocated overhead. These expenses were partially offset by a $952 thousand decrease in non-recurring engineering expenses, and a $253 thousand decrease in deal related compensation. Average headcount in research and development was 358 and 352 for the fiscal years ended March 31, 2015 and 2014, respectively.

Sales and marketing. Sales and marketing expenses consist primarily of personnel expenses, including commissions, overhead and other expenses associated with selling activities and marketing programs such as trade shows, seminars, advertising, and new product launch activities.

The 5%, or $6.8 million, increase in total sales and marketing expenses was primarily due to $6.1 million increase in employee related expenses resulting in part from increased headcount as well as from increased compensation related items. In addition, there was a $1.4 million increase in advertising and marketing related expenses, a $927 thousand increase related to the NetScout user conference, an $877 thousand increase in trade show expenses, a $780 thousand increase in allocated overhead, a $531 thousand increase in consulting expenses, and a $479 thousand increase in travel expenses. These expenses were partially offset by a $4.9 million decrease in commission expense for the fiscal year ended March 31, 2015 as compared to the fiscal year ended March 31, 2014. Average headcount in sales and marketing was 374 and 358 for the fiscal years ended March 31, 2015 and 2014, respectively.

General and administrative. General and administrative expenses consist primarily of personnel expenses for executive, financial, legal and human resource employees, overhead and other corporate expenditures.

The 54%, or $16.7 million, increase in general and administrative expenses was due to a $10.8 million increase in business development expenses, a $3.2 million increase in employee related expenses as a result of increased incentive related items as well as increased headcount, a $1.6 million increase in legal expenses, a $653 thousand increase in software licenses, and a $388 thousand increase in outside services. Average headcount in general and administrative was 123 and 118 for the fiscal years ended March 31, 2015 and 2014, respectively.

Amortization of acquired intangible assets. Amortization of acquired intangible assets consists primarily of amortization of customer relationships related to the acquisitions of ONPATH, Accanto, Simena, Replay, Psytechnics and Network General Central Corporation (Network General).

The 2%, or $81 thousand, decrease in amortization of acquired intangible assets is due to the decrease of expense recorded related to the acquisitions of Accanto and Replay.

Overall, we expect our operating margin to remain relatively consistent with historical ranges through the fiscal year ending March 31, 2016.

Interest and Other Expense, Net

Interest and other expense, net includes interest earned on our cash, cash equivalents and marketable securities, interest expense and other non-operating gains or losses.

	Fiscal Year Ended March 31, (Dollars in Thousands)				Change	
	2015		2014			
		% of Revenue		% of Revenue	$	%
Interest and other expense, net	$ (1,808)	— %	$ (158)	— %	$ (1,650)	(1,044)%

The 1,044%, or $1.7 million, increase in interest and other expense, net was primarily due to a $1.7 million increase in foreign currency exchange expense as well as a $172 thousand increase in expense due to loss on sale of equipment. These increases to interest and other expense, net were partially offset by a $136 thousand increase in interest income received on investments and a $105 thousand increase in other income.

Income Tax Expense

The annual effective tax rate for fiscal year 2015 is 35.6%, compared to an annual effective tax rate of 36.9% for fiscal year 2014. Generally, the annual effective tax rates differ from statutory rates primarily due to the impact of the domestic production activities deduction, the impact of state taxes, and federal, foreign and state tax credits. Our effective tax rate for the fiscal year ended March 31, 2015 is lower than the comparable prior year period primarily due to the generation of taxable income in the fiscal year ended March 31, 2015 within a foreign subsidiary which generated losses in the fiscal year ended March 31, 2014; and whose fiscal year 2014 losses were not benefited.

	Fiscal Year Ended March 31, (Dollars in Thousands)				Change	
	2015		2014			
		% of Revenue		% of Revenue	$	%
Income tax expense	$ 33,773	7%	$ 28,750	7%	$ 5,023	17%

Comparison of Years Ended March 31, 2014 and 2013

Revenue

During the fiscal year ended March 31, 2014, one direct customer accounted for more than 10% of total revenue, while no single indirect channel partner accounted for more than 10% of total revenue. During the fiscal year ended March 31, 2013, no single direct customer or indirect channel partner accounted for more than 10% of total revenue.

	Fiscal Year Ended March 31, (Dollars in Thousands)					
	2014		2013		Change	
		% of Revenue		% of Revenue	$	%
Revenue:						
Product	$ 234,268	59%	$ 198,749	57%	$ 35,519	18%
Service	162,379	41	151,801	43	10,578	7%
Total revenue	$ 396,647	100%	$ 350,550	100%	$ 46,097	13%

Product. The 18%, or $35.5 million, increase in product revenue was primarily due to a $17.9 million increase in revenue from our service provider sector, an $11.0 million increase in revenue from our general enterprise sector and a $6.7 million increase in revenue from our government enterprise sector.

Compared to the same period in the prior year, we realized a 16% increase in units shipped and a 7% increase in the average selling price per unit of our products.

Service. The 7%, or $10.6 million, increase in service revenue was primarily due to an $8.0 million increase in revenue from new maintenance contracts and renewals from a growing support base and a $3.3 million increase in premium support contracts. These were partially offset by a $443 thousand decrease in consulting revenue.

Total product and service revenue from direct and indirect channels are as follows:

	Fiscal Year Ended March 31, (Dollars in Thousands)					
	2014		2013		Change	
		% of Revenue		% of Revenue	$	%
Indirect	$ 195,484	49%	$ 172,136	49%	$ 23,348	14%
Direct	201,163	51%	178,414	51%	22,749	13%
Total revenue	$ 396,647	100%	$ 350,550	100%	$ 46,097	13%

The 14%, or $23.3 million, increase in indirect channel revenue is the result of the increases in sales to our general enterprise sectors across all geographies. The 13%, or $22.7 million, increase in direct revenue is primarily the result of increased domestic revenue from our service provider customers.

Total revenue by geography is as follows:

	Fiscal Year Ended March 31, (Dollars in Thousands)				Change	
	2014		2013			
		% of Revenue		% of Revenue	$	%
United States	$ 303,364	76%	$ 262,020	75%	$ 41,344	16 %
International:						
Europe	45,837	12	42,884	12	2,953	7 %
Asia	20,646	5	18,107	5	2,539	14 %
Rest of the world	26,800	7	27,539	8	(739)	(3)%
Subtotal international	93,283	24	88,530	25	4,753	5 %
Total revenue	$ 396,647	100%	$ 350,550	100%	$ 46,097	13 %

United States revenues increased 16%, or $41.3 million, primarily as a result of an increase in our service provider sector. The 5%, or $4.8 million, increase in international revenue is primarily due to an increase in our general enterprise sector in Asia.

Cost of Revenue and Gross Profit

	Fiscal Year Ended March 31, (Dollars in Thousands)				Change	
	2014		2013			
		% of Revenue		% of Revenue	$	%
Cost of revenue:						
Product	$ 51,219	13%	$ 45,752	13%	$ 5,467	12%
Service	33,294	8	28,256	8	5,038	18%
Total cost of revenue	$ 84,513	21%	74,008	21%	10,505	14%
Gross profit:						
Product $	$ 183,049	46%	$ 152,997	44%	30,052	20%
Product gross profit %	78%		77%		1 %	
Service $	129,085	33%	123,545	35%	5,540	4%
Service gross profit %	79%		81%		(2)%	
Total gross profit $	$ 312,134		$ 276,542		$ 35,592	13%
Total gross profit %	79%		79%		— %	

Product. The 12%, or $5.5 million, increase in cost of product revenue was primarily due to the 18%, or $35.5 million increase in product revenue for the fiscal year ended March 31, 2014 when compared to the fiscal year ended March 31, 2013. In addition, there was a $641 thousand increase in employee related expenses due to increased headcount as well as increased incentive compensation, a $189 thousand increase in depreciation expense, a $154 thousand increase in allocated overhead, and a $152 thousand increase in testing services due to new product introduction for the fiscal year ended March 31, 2014. These were partially offset by a $1.2 million decrease in amortization of intangible assets, a $453 thousand decrease in inventory fair value adjustment related to inventory recorded from the acquisition of ONPATH, and a $169 thousand decrease in obsolescence charges as we did not discontinue any product during the fiscal year ended March 31, 2014 . The product gross profit percentage increased by one percentage point to 78% during the fiscal year ended March 31, 2014 as compared to the same period in the prior year. Average headcount in cost of product revenue was 32 and 29 for the years ended March 31, 2014 and 2013, respectively.

Service. The 18%, or $5.0 million, increase in cost of service revenue was primarily due to a $3.5 million increase in employee related expenses resulting in part from increased headcount to support our growing installed base, as well as from increased share-based compensation and increased incentive compensation. In addition, there was a $889 thousand increase in cost of materials used to support customers under service contracts, a $320 thousand increase in software licenses, a $266 thousand increase in travel expenses, and a $200 thousand increase in allocated overhead. These increases were partially offset by a $348 thousand decrease in consulting expenses. The 4%, or $5.5 million, increase in service gross profit corresponds with the 7%, or $10.6 million, increase in service revenue, offset by the 18%, or $5.0 million, increase in cost of services. The service gross profit percentage decreased by two percentage point to 79% for the fiscal year ended March 31, 2014 when compared to the same period in the prior year. Average headcount in cost of service revenue was 146 and 132 for the years ended March 31, 2014 and 2013, respectively.

Gross profit. Our gross profit increased 13%, or $35.6 million. This increase is attributable to our increase in revenue of 13%, or $46.1 million, offset by a $10.5 million, or 14%, increase in cost of revenue. The gross margin percentage remained flat at 79% during the fiscal year ended March 31, 2014 when compared to the same period in the prior year.

Operating Expenses

	Fiscal Year Ended March 31, (Dollars in Thousands)					
	2014		2013		Change	
		% of Revenue		% of Revenue	$	%
Research and development	$ 70,454	18%	$ 61,546	18%	$ 8,908	14 %
Sales and marketing	129,611	32	116,807	33	12,804	11 %
General and administrative	30,623	8	29,718	8	905	3 %
Amortization of acquired intangible assets	3,432	1	2,877	1	555	19 %
Restructuring charges	—	—	1,065	—	(1,065)	(100)%
Total operating expenses	$ 234,120	59%	$ 212,013	60%	$ 22,107	10 %

Research and development. The 14%, or $8.9 million, increase in research and development expenses is due to a $6.4 million increase in employee related expenses resulting in part from increased headcount as well as from increased share-based compensation and increased incentive compensation, an $818 thousand increase in non-recurring engineering expenses, an $804 thousand increase in depreciation expense, a $493 thousand increase in temporary hire expenses, a $358 thousand increase in travel expense, a $285 thousand increase in software licenses, a $222 thousand increase in computer supplies and a $183 thousand increase in research and development supplies. These expenses were partially offset by a $728 thousand decrease in deal related compensation related to the acquisition of Simena and a $197 thousand decrease in meeting expenses. Average headcount in research and development was 352 and 338 for the fiscal years ended March 31, 2014 and 2013, respectively.

Sales and marketing. The 11%, or $12.8 million, increase in total sales and marketing expenses was due to $6.0 million increase in employee related expenses resulting in part from increased headcount as well as from increased share-based compensation and increased incentive compensation, a $5.1 million increase in commissions due to an increase in higher quota attainment and special incentive programs related to the nGeniusOne product introduction during the fiscal year ended March 31, 2014 as compared to the fiscal year ended March 31, 2013. In addition, there was a $957 thousand increase in trade show expenses, a $916 thousand increase in travel expenses, a $437 thousand increase in marketing related expenses, a $295 thousand increase allocated overhead, a $292 thousand increase related to the NetScout user conference, and a $180 thousand increase in consulting expenses. These expenses were partially offset by a $524 thousand decrease in recruitment expenses, a $495 thousand decrease in depreciation expense, a $352 thousand decrease in sales meeting expenses, a $326 thousand decrease in temporary help, and a $298 thousand decrease in employee training expenses. Average headcount in sales and marketing was 358 and 340 for the fiscal years ended March 31, 2014 and 2013, respectively.

General and administrative. The 3%, or $905 thousand, increase in general and administrative expenses was due to a $1.7 million increase in employee related expenses as a result of increased headcount as well as from increased share-based compensation and increased incentive compensation, a $282 thousand increase in tax and accounting related services, a $169 thousand increase in office expenses, a $153 thousand increase in compensation for post combination services, and a $122 thousand increase in expenses for software licenses. These increases were partially offset by a $1.1 million decrease in business development expenses, and a $294 thousand decrease in bad debt expense. Average headcount in general and administrative was 118 and 115 for the fiscal years ended March 31, 2014 and 2013, respectively.

Amortization of acquired intangible assets. The 19%, or $555 thousand, increase in amortization of acquired intangible assets is due to the increase of expense recorded related to the acquisitions of ONPATH and Accanto.

Restructuring charges. During the fiscal year ended March 31, 2013, we restructured part of our international sales organization related to an overlap of personnel acquired as part of the Accanto acquisition. As a result, we recorded $1.2 million of restructuring charges during the fiscal year ended March 31, 2013 related to severance costs.

Interest and Other Expense, Net

	Fiscal Year Ended March 31, (Dollars in Thousands)					
	2014		2013		Change	
		% of Revenue		% of Revenue	$	%
Interest and other expense, net	$ (158)	— %	$ (793)	— %	$ 635	80%

The 80%, or $635 thousand, decrease in interest and other income (expense), net was primarily due to a $523 thousand decrease in interest expense due to the repayment of our outstanding debt during the fiscal year ended March 31, 2013, as well as a $315 thousand decrease in foreign currency exchange expense. These decreases to interest and other expense, net were partially offset by a $199 thousand decrease in interest income received on investments.

Income Tax Expense

The annual effective tax rate for fiscal year 2014 was 36.9%, compared to an annual effective tax rate of 36.3% for fiscal year 2013. Generally, the annual effective tax rates differ from statutory rates primarily due to the impact of the domestic production activities deduction, the impact of state taxes, and federal, foreign and state tax credits. Our effective tax rate for the fiscal year ended March 31, 2014 was higher than the comparable prior year period primarily due to the exclusion of certain foreign losses for which a benefit cannot be realized, offset by decreases to the state tax rate and income generated in jurisdictions that have a lower tax rate than the statutory U.S. rate.

	Fiscal Year Ended March 31, (Dollars in Thousands)					
	2014		2013		Change	
		% of Revenue		% of Revenue	$	%
Income tax expense	$ 28,750	7%	$ 23,127	7%	$ 5,623	24%

Contractual Obligations

At March 31, 2015, we had the following contractual obligations:

Payment due by period (Dollars in thousands)

Contractual Obligations	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Unconditional purchase obligations	$ 5,481	$ 5,481	$ —	$ —	$ —
Operating lease obligations (1)	29,161	6,065	9,077	5,331	8,688
Contingent purchase consideration	4,484	—	—	4,484	—
Total contractual obligations	$ 39,126	$ 11,546	$ 9,077	$ 9,815	$ 8,688

At March 31, 2015, the total amount of net unrecognized tax benefits for uncertain tax positions and the accrual for the related interest was $1.1 million. We are unable to make a reliable estimate when cash settlement, if any, will occur with a tax authority as the timing of examinations and ultimate resolution of those examinations is uncertain. We have also excluded long-term deferred revenue of $27.0 million as such amounts will be recognized as services are provided.

The payment stream for the retirement obligation is based upon the retirement date of our chairman and CEO which is currently not determinable. At March 31, 2015, the total accrual for the retirement obligation was $1.6 million.

(1) We lease facilities and certain equipment under operating lease agreements extending through September 2023 for a total of $29.2 million.

Off-Balance Sheet Arrangements

We do not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements. As such, we are not exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such relationships.

Commitment and Contingencies

We account for claims and contingencies in accordance with authoritative guidance that requires us to record an estimated loss from a claim or loss contingency when information available prior to issuance of our consolidated financial statements indicates that it is probable that a liability has been incurred at the date of the consolidated financial statements and the amount of the loss can be reasonably estimated. If we determine that it is reasonably possible but not probable that an asset has been impaired or a liability has been incurred or if the amount of a probable loss cannot be reasonably estimated, then in accordance with the authoritative guidance, we disclose the amount or range of estimated loss if the amount or range of estimated loss is material. Accounting for claims and contingencies requires us to use our judgment. We consult with legal counsel on those issues related to litigation and seek input from other experts and advisors with respect to matters in the ordinary course of business. See Note 17 for a discussion of contingencies.

We have one contingent liability related to the acquisition of Simena in November 2011 for future consideration to be paid to the former seller which had an initial fair value of $8.0 million at the time of acquisition. At March 31, 2015, the fair value of the future consideration was $4.5 million.

Warranty and Indemnification

We warrant that our software and hardware products will substantially conform to the documentation accompanying such products on their original date of shipment. For software, which also includes firmware, the standard warranty commences upon shipment and expires 90 days thereafter. With regard to hardware, the standard warranty commences upon shipment and expires 12 months thereafter. Additionally, this warranty is subject to various exclusions which include, but are not limited to, non-conformance resulting from modifications made to the software or hardware by a party other than NetScout; customers' failure to follow our installation, operation or maintenance instructions; and events outside of our reasonable control. We also warrant that all support services will be performed in a good and workmanlike manner. We believe that our product and support service warranties are consistent with commonly accepted industry standards. No warranty cost information is presented and no warranty costs are accrued since service revenue associated with warranty is deferred at the time of sale and recognized ratably over the warranty period.

Contracts that we enter into in the ordinary course of business may contain standard indemnification provisions. Pursuant to these agreements, we may agree to defend third party claims brought against a partner or direct customer claiming infringement of such third party's (i) U.S. patent and/or European Union (EU), or other selected countries' patents, (ii) Berne convention member country copyright, and/or (iii) U.S., EU, and/or other selected countries' trademark or intellectual property rights. Moreover, this indemnity may require us to pay any damages awarded against the partner or direct customer in such type of lawsuit as well as reimburse the partner or direct customer for reasonable attorney's fees incurred by them from the lawsuit.

We may also agree from time to time to provide other forms of indemnification to partners or direct customers, such as indemnification that would obligate us to defend and pay any damages awarded to a third party against a partner or direct customer based on a lawsuit alleging that such third party has suffered personal injury or tangible property damage legally determined to have been caused by negligently designed or manufactured products.

We have agreed to indemnify our directors and officers and our subsidiaries' directors and officers if they are made a party or are threatened to be made a party to any proceeding (other than an action by or in the right of NetScout) by reason of the fact that the indemnified are an agent of NetScout or by reason of anything done or not done by them in any such capacity. The indemnity is for any and all expenses and liabilities of any type (including but not limited to, judgments, fines and amounts paid in settlement) reasonably incurred by the directors or officers in connection with the investigation, defense, settlement or appeal of such proceeding, provided they acted in good faith.

Liquidity and Capital Resources

Substantially all of our cash, cash equivalents and marketable securities are located in the United States. Cash, cash equivalents, and marketable securities consist of the following:

	At March 31, (Dollars in Thousands)		
	2015	2014	2013
Cash and cash equivalents	$ 104,893	$ 102,076	$ 99,930
Short-term marketable securities	101,392	75,234	37,338
Long-term marketable securities	58,572	41,484	16,823
Cash, cash equivalents and marketable securities	$ 264,857	$ 218,794	$ 154,091

Cash, cash equivalents and marketable securities

At March 31, 2015 cash, cash equivalents and marketable securities totaled $264.9 million, up $46.1 million from $218.8 million at March 31, 2014 due primarily to cash flow from operations of $106.9 million and $2.8 million generated from excess tax benefits from share-based compensation awards, partially offset by $51.7 million of cash used to repurchase shares of our common stock and $12.8 million of cash used for capital expenditures.

Substantially all of our cash, cash equivalents and marketable securities are located in the United States. At March 31, 2015, cash and short-term and long-term investments in the United States was $262.9 million, while cash held offshore was approximately $2.0 million.

Cash and cash equivalents were impacted by the following:

	Fiscal Year Ending March 31, (Dollars in Thousands)		
	2015	2014	2013
Net cash provided by operating activities	$ 106,933	$ 110,946	$ 95,412
Net cash (used in) provided by investing activities	$ (56,185)	$ (76,581)	$ (21,742)
Net cash used in financing activities	$ (48,760)	$ (31,963)	$ (91,004)

Net cash provided by operating activities.

Fiscal year 2015 compared to fiscal year 2014

Cash provided by operating activities was $106.9 million during the fiscal year ended March 31, 2015, compared to $110.9 million of cash provided by operating activities in the fiscal year ended March 31, 2014. This $4.0 million decrease was due in part to accounts receivable, which had a $35.3 million unfavorable impact in the fiscal year ended March 31, 2015 as compared to the fiscal year ended March 31, 2014. Accounts receivable days sales outstanding was 61 days at March 31, 2015 compared to 47 days at March 31, 2014. In addition, there was a $2.5 million decrease from deferred income taxes, and a $1.4 million decrease from income taxes payable. These decreases were offset by a $12.1 million increase in profitability. In addition, there was a $6.5 million increase from accrued compensation and other expenses during the fiscal year ended March 31, 2015 when compared to the fiscal year ended March 31, 2014 largely due to the timing of accruals and payments for accruals related to legal and accounting related expenses at March 31, 2015. The increase in cash provided by operating activities was also due to a $6.3 million decrease from a change in inventory balances, a $3.8 million favorable impact from deferred revenue due to increased sales of maintenance and services delivered over time, a $3.7 million increase from share-based compensation, a $1.4 million increase from depreciation and amortization, and a $672 thousand increase from prepaid expenses and other assets.

Fiscal year 2014 compared to fiscal year 2013

Cash provided by operating activities was $110.9 million during the fiscal year ended March 31, 2014, compared to $95.4 million of cash provided by operating activities in the fiscal year ended March 31, 2013. This $15.5 million increase was due in part to accounts receivable, which had a favorable impact in the fiscal year ended March 31, 2014 as compared to the fiscal year ended March 31, 2013. Accounts receivable days sales outstanding was 47 days at March 31, 2014 compared to 68 days at March 31, 2013. In addition, there was an $8.5 million increase in profitability, a $5.3 million favorable impact from deferred revenue due to increased sales of our products, a $3.8 million increase from accounts payable, a $3.3 million increase from share-based compensation, a $1.3 million increase from deferred income taxes and a $563 thousand increase from income taxes payable. These increases were offset by an $8.2 million decrease as a result of an increase in inventory balances to support increases in sales volume, an $8.2 million decrease from prepaid expenses and other assets largely due to a $5.6 million increase from prepaid income taxes and $1.2 million from an increase in prepaid royalties, and a $4.0 million decrease from accrued compensation and other expenses during the fiscal year ended March 31, 2014 when compared to the fiscal year ended March 31, 2013 largely due to the timing of accruals and payments for incentive compensation as a result of an increase in the payout for fiscal year 2013 incentive compensation during the fiscal year ended March 31, 2014 as compared to the payout for the fiscal year 2012 during the fiscal year ended March 31, 2013, as well as severance activities related to restructuring.

Net cash used in investing activities.

	Fiscal Year Ending March 31, (Dollars in Thousands)		
	2015	**2014**	**2013**
Cash used in investment activities included the following:			
Purchase of marketable securities	$ (133,212)	$ (128,122)	$ (121,133)
Proceeds from maturity of marketable securities	89,954	65,570	163,416
Purchase of fixed assets	(12,808)	(13,066)	(11,671)
Purchase of intangible assets	(174)	(1,086)	(277)
Acquisition of businesses, net of cash acquired	—	—	(51,273)
Increase in deposits	55	123	(804)
	$ (56,185)	$ (76,581)	$ (21,742)

Cash used in investing activities decreased by $20.4 million to $56.2 million during the fiscal year ended March 31, 2015, compared to $76.6 million of cash used in investing activities during the fiscal year ended March 31, 2014. Cash used for investing activities was $76.6 million during the fiscal year ended March 31, 2014, compared to $21.7 million of cash provided by investing activities during the fiscal year ended March 31, 2013.

During the fiscal year ended March 31, 2013, we paid $51.3 million for acquisitions.

Net cash outflows relating to the purchase and sales of marketable securities was down $19.3 million during the fiscal year ended March 31, 2015 when compared to the fiscal year ended March 31, 2014 relating to the amount of investments held at each balance sheet date. Net inflow relating to the purchase and sales of marketable securities was down $104.8 million during the fiscal year ended March 31, 2014 when compared to the fiscal year ended March 31, 2013 as we invested our operating cash flow in securities as opposed to funding acquisitions. In addition, during the fiscal year ended March 31, 2013, redemptions by the issuers for our remaining auction rate securities totaling $19.3 million were settled. As a result of the settlements, we reversed the remaining valuation reserve of $190 thousand. We held no investments in auction rate securities at March 31, 2015, 2014 and 2013.

Our investments in property and equipment consist primarily of computer equipment, demonstration units, office equipment and facility improvements. We plan to continue to invest in capital expenditures to support our infrastructure in our fiscal year 2016.

Purchases of intangible assets decreased by $912 thousand during the fiscal year ended March 31, 2015 compared to the fiscal year ended March 31, 2014. During the fiscal year ended March 31, 2014, we acquired certain rights to Accanto software for $500 thousand not previously purchased as part of the acquisition transaction in fiscal year 2013. In addition, during the fiscal year ended March 31, 2014 we made an agreement to acquire a technology license for $300 thousand.

Net cash used in financing activities.

	Fiscal Year Ending March 31, (Dollars in Thousands)		
	2015	2014	2013
Cash used in financing activities included the following:			
Issuance of common stock under stock plans	$ 140	$ 812	$ 575
Payment of contingent consideration	—	(841)	(4,038)
Treasury stock repurchases	(51,714)	(34,322)	(27,448)
Repayment of long-term debt	—	—	(62,000)
Excess tax benefit from share-based compensation awards	2,814	2,388	1,907
	$ (48,760)	$ (31,963)	$ (91,004)

Cash used in financing activities was up $16.8 million to $48.8 million during the fiscal year ended March 31, 2015, compared to $32.0 million of cash used in financing activities during the fiscal year ended March 31, 2014.

During the fiscal year ended March 31, 2013, we paid down our outstanding credit facility in the amount of $62.0 million. At March 31, 2015, 2014 and 2013, there were no amounts outstanding under this credit facility.

During the fiscal years ended March 31, 2014 and 2013, we paid $841 thousand and $4.0 million, respectively, related to the contingent purchase consideration related to the acquisition of Simena. For additional information with respect to the contingent purchase consideration, see Note 17 in the Notes to the Consolidated Financial Statements of this Form 10-K.

On September 17, 2001, we announced an open market stock repurchase program to purchase up to one million shares of our outstanding common stock, subject to market conditions and other factors. Any purchases under this stock repurchase program may be made from time to time without prior notice. On July 26, 2006, we announced that we had expanded the existing open market stock repurchase program to enable us to purchase up to an additional three million shares of our outstanding common stock, bringing the total number of shares authorized for repurchase to four million shares. Through March 31, 2015, we had repurchased a total of 4,000,000 shares of common stock through this open market stock repurchase program. We repurchased 243,300 shares for $9.4 million, 1,000,407 shares for $28.8 million and 999,499 shares for $23.5 million under this program during the fiscal years ended March 31, 2015, 2014 and 2013, respectively. At March 31, 2015, all authorized shares under this stock repurchase program have been repurchased.

On April 22, 2014, Netscout's Board of Directors approved an additional stock repurchase program. This program authorizes management to make additional repurchases of NetScout outstanding common stock of up to $100 million. The share repurchase authorization does not have an expiration date and the pace and timing of repurchases will depend on factors such as cash generation from operations, cash requirements for acquisitions, economic and market conditions, stock price and legal and regulatory requirements. Through March 31, 2015, we repurchased 756,700 shares totaling $31.5 million in the open market under this stock repurchase plan. At March 31, 2015, $68.5 million of common stock remained to be purchased under the plan. Future repurchases of shares will reduce our cash balances.

In addition, in connection with the vesting and release of the restriction on previously vested shares of restricted stock units, the Company repurchased 247,568 shares for $10.8 million, 216,198 for $5.5 million and 169,531 shares for $3.9 million related to minimum statutory tax withholding requirements on these restricted stock units during the fiscal years ended March 31, 2015, 2014 and 2013, respectively.

We generated $2.8 million, $2.4 million and $1.9 million during the fiscal years ended March 31, 2015, 2014 and 2013, respectively, of excess tax benefits from share-based compensation awards.

Credit Facility

On November 22, 2011, we entered into a credit facility with a syndicate of lenders led by KeyBank National Association (KeyBank) which provides us with a $250 million revolving credit facility, which may be increased to $300 million at any time up to 90 days before maturity. The revolving credit facility includes a swing line loan sub-facility of up to $10 million and a letter of credit sub-facility of up to $10 million. The credit facility matures on November 21, 2016 and is secured by substantially all of our assets. At March 31, 2015, there were no amounts outstanding under the credit facility. In addition, we are required to maintain certain consolidated leverage and interest coverage ratios as well as a minimum liquidity amount. At March 31, 2015, we were in compliance with all of these covenants.

Expectations for Fiscal Year 2016

NetScout's Liquidity and Capital Resources Prior to the Contemplated Acquisition of Danaher's Communications Business

We believe that our cash balances, short-term marketable securities classified as available-for-sale and future cash flows generated by operations will be sufficient to meet our anticipated cash needs for working capital and capital expenditures for at least the next 12 months. In addition, we expect that cash provided by operating activities will continue to increase due to an expected increase in cash collections related to anticipated higher revenues, partially offset by an anticipated increase in operating expenses that require cash outlays such as salaries and commissions. Capital expenditures in our fiscal year 2016 are currently anticipated to be in line with previous years' amounts.

Additionally, a portion of our cash may be used to acquire or invest in complementary businesses or products or to obtain the right to use complementary technologies. From time to time, in the ordinary course of business, we evaluate potential acquisitions of such businesses, products or technologies. If our existing sources of liquidity are insufficient to satisfy our liquidity requirements, we may seek to sell additional equity or debt securities. The sale of additional equity or debt securities could result in additional dilution to our stockholders.

NetScout's Liquidity and Capital Resources After the Contemplated Acquisition of Danaher's Communications Business

Following the consummation of the contemplated transactions, we expect cash from operating activities to be in the range of $200.0 million to $250.0 million during the first year of the combined operations. Due to the low capital intensive nature of the combined business, we expect that capital expenditures will continue to be less than 5 percent of total combined revenue following the consummation of the transactions. We expect to incur approximately $11 million of investment banking fees. Due to the ongoing nature of the integration planning, there is no estimate of costs associated with achieving any of the projected synergies or the consolidation of any operations and systems as well as professional fees associated with these activities. Additionally, as part of the Merger Agreement, the Communications Business will enter into a Transition Services Agreement with Danaher, under which Danaher will provide the Communications Business specified support services and other assistance for a limited time following the closing of the Transactions. Certain of the services covered under the Transition Services Agreement are costs that are currently included as operating costs in the Communications Business Combined Statements of Earnings, however, there is no guarantee that the Communications Business will not incur higher operating costs than those reflected in those financial statements and NetScout may incur certain costs to replace services at the end of the Transition Services Agreement.

We anticipate that our primary sources of liquidity for working capital and operating activities will be cash provided by operations as well as a financing arrangement which is being reviewed. While we have an existing Revolving Credit Agreement for $250 million that is fully available, we are reviewing alternative financing arrangements including amending the existing facility to cover the requirements of the combined company. We expect these sources of liquidity will be sufficient to fund working capital and capital expenditure requirements, including the significant one-time costs relating to the contemplated transactions.

Recent Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers: Topic 606 (ASU 2014-09), to supersede nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than required under existing U.S. GAAP, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. In April 2015, the FASB issued an exposure draft to propose a delay of the effective date for one year, which would make the effective date for us in our first quarter of fiscal year 2019 using either of two methods: (i) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within ASU 2014-09; or (ii) retrospective with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined per ASU 2014-09. We are currently evaluating the impact of our pending adoption of ASU 2014-09 on our consolidated financial statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Credit Risk. Our cash equivalents and marketable securities consist primarily of money market instruments, U.S. Treasury bills, certificates of deposit, commercial paper, corporate bonds and municipal obligations.

At March 31, 2015 and periodically throughout the year, we have maintained cash balances in various operating accounts in excess of federally insured limits. We limit the amount of credit exposure with any one financial institution by evaluating the creditworthiness of the financial institutions with which we invest.

Foreign Currency Exchange Risk. As a result of our foreign operations, we face exposure to movements in foreign currency exchange rates, primarily the Euro, British Pound, Canadian Dollar and Indian Rupee. The current exposures arise primarily from expenses denominated in foreign currencies. NetScout currently engages in foreign currency hedging activities in order to limit these exposures. We do not use derivative financial instruments for speculative trading purposes.

At March 31, 2015, we had foreign currency forward contracts with notional amounts totaling $20.2 million. The valuation of outstanding foreign currency forward contracts at March 31, 2015 resulted in a liability balance of $1.7 million, reflecting unfavorable contract rates in comparison to current market rates at this date and an asset balance of $15 thousand reflecting favorable rates in comparison to current market rates. At March 31, 2014, we had foreign currency forward contracts with notional amounts totaling $17.5 million. The valuation of outstanding foreign currency forward contracts at March 31, 2014 resulted in a liability balance of $139 thousand, reflecting unfavorable contract rates in comparison to current market rates at this date and an asset balance of $368 thousand reflecting favorable rates in comparison to current market rates.

Item 8. Financial Statements and Supplementary Data

NetScout's Consolidated Financial Statements and Schedule and Report of Independent Registered Public Accounting Firm appear beginning on page F-1 attached to this report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There have been no changes in or disagreements with accountants on accounting or financial disclosure matters.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of March 31, 2015, NetScout, under the supervision and with the participation of our management, including the Company's principal executive officer and principal financial officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15(b) promulgated under the Exchange Act. Based upon that evaluation, our principal executive officer and principal financial officer concluded that, as of March 31, 2015 our disclosure controls and procedures were effective in ensuring that material information relating to NetScout, including its consolidated subsidiaries, required to be disclosed by NetScout in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, including ensuring that such material information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

During the year ended March 31, 2015, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Exchange Act Rule 13a-15(f). Our internal control over financial reporting was designed to provide reasonable assurance regarding reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Our management assessed the effectiveness of our internal control over financial reporting as of March 31, 2015. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework in 2013. Based on our assessment, we concluded that our internal control over financial reporting was effective as of March 31, 2015.

The effectiveness of the Company's internal control over financial reporting as of March 31, 2015 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein at page F-2 of this Annual Report on Form 10-K.

Item 9B. Other Information

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this Item 10 will be included under the captions "Directors and Executive Officers," "Election of Directors," "Section 16(a) Beneficial Ownership Reporting Compliance," "Code of Ethics," "The Board of Directors and its Committees" and "Corporate Governance" in our definitive Proxy Statement with respect to our 2015 Annual Meeting of Stockholders to be filed with the SEC no later than 120 days after the end of the fiscal year covered by this Annual Report and is incorporated herein by reference.

Item 11. Executive Compensation

The information required by this Item 11 will be included under the caption "Compensation and Other Information Concerning Directors and Executive Officers" in our definitive Proxy Statement with respect to our 2015 Annual Meeting of Stockholders to be filed with the SEC not later than 120 days after the end of the fiscal year covered by this Annual Report and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item 12 will be included under the captions "Security Ownership of Certain Beneficial Owners and Management" and "Equity Compensation Plan Information" in our definitive Proxy Statement with respect to our 2015 Annual Meeting of Stockholders to be filed with the SEC not later than 120 days after the end of the fiscal year covered by this Annual Report and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item 13 will be included, as applicable, under the captions "Director Independence," "Employment and Other Agreements" and "Transactions with Related Persons" in our definitive Proxy Statement with respect to our 2015 Annual Meeting of Stockholders to be filed with the SEC not later than 120 days after the end of the fiscal year covered by this Annual Report and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

The information required by this Item 14 will be included under the captions "Auditors Fees and Services" and "Policy on Audit Committee Pre-approval of Audit and Non-Audit Services" in our definitive Proxy Statement with respect to our 2015 Annual Meeting of Stockholders to be filed with the SEC not later than 120 days after the end of the fiscal year covered by this Annual Report and is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) 1. Consolidated Financial Statements.

2. Financial Statement Schedule.

No other financial statement schedules have been included because they are either not applicable or the information is in the consolidated financial statements.

3. List of Exhibits.

We hereby file as part of, or incorporate by reference into, this Annual Report on Form 10-K the exhibits listed on the index to exhibits immediately following the financial statements.

(b) We hereby file as part of this Annual Report on Form 10-K the exhibits listed in Item 15(a)(3) above.

(c) We hereby file as part of this Annual Report on Form 10-K the financial statement schedule listed in Item 15(a)(2) above.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NETSCOUT SYSTEMS, INC.

By: /S/ ANIL K. SINGHAL

Anil K. Singhal

President, Chief Executive Officer, and Chairman

Date: May 20, 2015

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title(s)	Date
/S/ ANIL K. SINGHAL **Anil K. Singhal**	President, Chief Executive Officer, and Chairman (Principal Executive Officer)	May 20, 2015
/S/ JEAN BUA **Jean Bua**	Senior Vice President and Chief Financial Officer (Principal Financial Officer) (Principal Accounting Officer)	May 20, 2015
/S/ VICTOR A. DEMARINES **Victor A. DeMarines**	Director	May 20, 2015
/S/ JOHN R. EGAN **John R. Egan**	Director	May 20, 2015
/S/ JOSEPH G. HADZIMA, JR. **Joseph G. Hadzima, Jr.**	Director	May 20, 2015
/S/ VINCENT J. MULLARKEY **Vincent J. Mullarkey**	Director	May 20, 2015
/S/ ROBERT E. DONAHUE **Robert E. Donahue**	Director	May 20, 2015
/S/ CHRISTOPHER PERRETTA **Christopher Perretta**	Director	May 20, 2015

NetScout Systems, Inc.

Index to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of NetScout Systems, Inc.:

In our opinion, the consolidated financial statements listed in the accompanying index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of NetScout Systems, Inc. and its subsidiaries at March 31, 2015 and March 31, 2014, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2015 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index appearing under item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2015, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/S/ PricewaterhouseCoopers LLP
Boston, Massachusetts
May 20, 2015

NetScout Systems, Inc.

Consolidated Balance Sheets
(In thousands, except share and per share data)

	March 31, 2015	March 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	$ 104,893	$ 102,076
Marketable securities	101,392	75,234
Accounts receivable, net of allowance for doubtful accounts of $173 and $313 at March 31, 2015 and 2014, respectively	82,226	60,518
Inventories	12,130	12,580
Prepaid income taxes	1,393	1,012
Deferred income taxes	21,755	15,846
Prepaid expenses and other current assets	13,495	11,496
Total current assets	337,284	278,762
Fixed assets, net	23,864	23,098
Goodwill	197,445	203,446
Intangible assets, net	50,180	58,513
Long-term marketable securities	58,572	41,484
Other assets	1,704	2,460
Total assets	$ 669,049	$ 607,763
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 13,077	$ 11,541
Accrued compensation	36,553	34,901
Accrued other	14,474	6,430
Income taxes payable	107	791
Deferred revenue	123,422	109,301
Total current liabilities	187,633	162,964
Other long-term liabilities	1,995	2,370
Deferred tax liability	10,639	2,757
Accrued long-term retirement benefits	1,587	1,581
Long-term deferred revenue	26,961	24,639
Contingent liabilities, net of current portion	4,484	4,291
Total liabilities	233,299	198,602
Commitments and contingencies (Note 17)		
Stockholders' equity:		
Preferred stock, $0.001 par value: 5,000,000 shares authorized; no shares issued or outstanding at March 31, 2015 and 2014	—	—
Common stock, $0.001 par value: 150,000,000 shares authorized; 50,812,548 and 49,922,959 shares issued and 40,807,805 and 41,165,784 shares outstanding at March 31, 2015 and 2014, respectively	51	50
Additional paid-in capital	298,101	273,574
Accumulated other comprehensive (loss) income	(4,645)	2,772
Treasury stock at cost, 10,004,743 and 8,757,175 shares at March 31, 2015 and 2014, respectively	(169,516)	(117,802)
Retained earnings	311,759	250,567
Total stockholders' equity	435,750	409,161
Total liabilities and stockholders' equity	$ 669,049	$ 607,763

The accompanying notes are an integral part of these consolidated financial statements.

NetScout Systems, Inc.

Consolidated Statements of Operations
(In thousands, except per share data)

	Year Ended March 31, 2015	2014	2013
Revenue:			
Product	$ 272,895	$ 234,268	$ 198,749
Service	180,774	162,379	151,801
Total revenue	453,669	396,647	350,550
Cost of revenue:			
Product	59,037	51,219	45,752
Service	35,524	33,294	28,256
Total cost of revenue	94,561	84,513	74,008
Gross profit	359,108	312,134	276,542
Operating expenses:			
Research and development	75,242	70,454	61,546
Sales and marketing	136,446	129,611	116,807
General and administrative	47,296	30,623	29,718
Amortization of acquired intangible assets	3,351	3,432	2,877
Restructuring charges	—	—	1,065
Total operating expenses	262,335	234,120	212,013
Income from operations	96,773	78,014	64,529
Interest and other expense, net:			
Interest income	445	309	508
Interest expense	(773)	(768)	(1,291)
Other (expense) income, net	(1,480)	301	(10)
Total interest and other expense, net	(1,808)	(158)	(793)
Income before income tax expense	94,965	77,856	63,736
Income tax expense	33,773	28,750	23,127
Net income	$ 61,192	$ 49,106	$ 40,609
Basic net income per share	$ 1.49	$ 1.19	$ 0.97
Diluted net income per share	$ 1.47	$ 1.17	$ 0.96
Weighted average common shares outstanding used in computing:			
Net income per share—basic	41,105	41,366	41,665
Net income per share—diluted	41,637	41,955	42,322

The accompanying notes are an integral part of these consolidated financial statements.

NetScout Systems, Inc.

Consolidated Statements of Comprehensive Income
(In thousands)

	Year Ended March 31,		
	2015	2014	2013
Net income	$ 61,192	$ 49,106	$ 40,609
Other comprehensive (loss) income:			
Cumulative translation adjustments	(6,311)	1,887	460
Changes in market value of investments:			
Changes in unrealized (losses) gains, net of taxes of $0, $0 and $73	(12)	5	109
Total net change in market value of investments	(12)	5	109
Changes in market value of derivatives:			
Changes in market value of derivatives, net of (benefit) taxes of ($1,113), $33 and ($146)	(1,937)	62	(258)
Reclassification adjustment for net gains included in net income, net of taxes of $497, $62 and $91	843	147	148
Total net change in market value of derivatives	(1,094)	209	(110)
Other comprehensive (loss) income	(7,417)	2,101	459
Total comprehensive income	$ 53,775	$ 51,207	$ 41,068

The accompanying notes are an integral part of these consolidated financial statements.

NetScout Systems, Inc.
Consolidated Statements of Stockholders' Equity
(In thousands, except share data)

	Common stock Voting				Treasury stock			
	Shares	Par Value	Additional Paid In Capital	Accumulated Other Comprehensive Income (Loss)	Shares	Stated Value	Retained Earnings	Total Stockholders' Equity
Balance, March 31, 2012	48,185,731	$ 48	$ 237,289	$ 212	6,371,540	$ (56,032)	$ 160,852	$ 342,369
Net Income							40,609	40,609
Unrealized net investment gains				109				109
Unrealized net losses on derivative financial instruments				(110)				(110)
Cumulative translation adjustments				460				460
Issuance of common stock pursuant to exercise of options	86,892	—	574					574
Issuance of common stock pursuant to vesting of restricted stock units	549,932	1						1
Stock-based compensation expense for restricted stock units granted to employees			8,887					8,887
Issuance of common stock under employee stock purchase plan	184,936		4,545					4,545
Repurchase of treasury stock					1,169,030	(27,448)		(27,448)
Tax benefits of disqualifying dispositions of incentive stock options			1,907					1,907
Balance, March 31, 2013	49,007,491	49	253,202	671	7,540,570	(83,480)	201,461	371,903
Net Income							49,106	49,106
Unrealized net investment gains				5				5
Unrealized net gains on derivative financial instruments				209				209
Cumulative translation adjustments				1,887				1,887
Issuance of common stock pursuant to exercise of options	117,650	—	811					811
Issuance of common stock pursuant to vesting of restricted stock units	635,254	1						1
Stock-based compensation expense for restricted stock units granted to employees			12,178					12,178
Issuance of common stock under employee stock purchase plan	162,564		4,995					4,995
Repurchase of treasury stock					1,216,605	(34,322)		(34,322)
Tax benefits of disqualifying dispositions of incentive stock options			2,388					2,388
Balance, March 31, 2014	49,922,959	50	273,574	2,772	8,757,175	(117,802)	250,567	409,161
Net Income							61,192	61,192
Unrealized net investment losses				(12)				(12)
Unrealized net losses on derivative financial instruments				(1,094)				(1,094)
Cumulative translation adjustments				(6,311)				(6,311)
Issuance of common stock pursuant to exercise of options	23,850	—	139					139
Issuance of common stock pursuant to vesting of restricted stock units	728,239	1						1
Stock-based compensation expense for restricted stock units granted to employees			15,685					15,685
Issuance of common stock under employee stock purchase plan	137,500		5,889					5,889
Repurchase of treasury stock					1,247,568	(51,714)		(51,714)
Tax benefits of disqualifying dispositions of incentive stock options			2,814					2,814
Balance, March 31, 2015	50,812,548	$ 51	$ 298,101	$ (4,645)	10,004,743	$ (169,516)	$ 311,759	$ 435,750

The accompanying notes are an integral part of these consolidated financial statements.

NetScout Systems, Inc.

Consolidated Statements of Cash Flows
(In thousands)

	Year Ended March 31,		
	2015	2014	2013
Cash flows from operating activities:			
Net income	$ 61,192	$ 49,106	$ 40,609
Adjustments to reconcile net income to cash provided by operating activities, net of the effects of acquisitions:			
Depreciation and amortization	19,709	18,260	17,464
Loss on disposal of fixed assets	300	39	104
Deal related compensation expense and accretion charges	153	151	263
Share-based compensation expense associated with equity awards	16,580	12,930	9,591
Net change in fair value of contingent and contractual liabilities	(10)	(303)	466
Deferred income taxes	2,736	5,214	3,909
Other gains	168	(86)	(3)
Changes in assets and liabilities			
Accounts receivable	(21,801)	13,451	82
Inventories	(499)	(6,798)	1,433
Prepaid expenses and other assets	(2,169)	(2,841)	5,391
Accounts payable	1,355	1,498	(2,345)
Accrued compensation and other expenses	13,233	6,734	10,739
Income taxes payable	(684)	677	114
Deferred revenue	16,670	12,914	7,595
Net cash provided by operating activities	106,933	110,946	95,412
Cash flows from investing activities:			
Purchase of marketable securities	(133,212)	(128,122)	(121,133)
Proceeds from maturity of marketable securities	89,954	65,570	163,416
Purchase of fixed assets	(12,808)	(13,066)	(11,671)
Purchase of intangible assets	(174)	(1,086)	(277)
Acquisition of businesses, net of cash acquired	—	—	(51,273)
Decrease (increase) in deposits	55	123	(804)
Net cash used in investing activities	(56,185)	(76,581)	(21,742)
Cash flows from financing activities:			
Issuance of common stock under stock plans	140	812	575
Payment of contingent consideration	—	(841)	(4,038)
Treasury stock repurchases	(51,714)	(34,322)	(27,448)
Repayment of long-term debt	—	—	(62,000)
Excess tax benefit from share-based compensation awards	2,814	2,388	1,907
Net cash used in financing activities	(48,760)	(31,963)	(91,004)
Effect of exchange rate changes on cash and cash equivalents	829	(256)	9
Net increase (decrease) in cash and cash equivalents	2,817	2,146	(17,325)
Cash and cash equivalents, beginning of year	102,076	99,930	117,255
Cash and cash equivalents, end of year	$ 104,893	$ 102,076	$ 99,930
Supplemental disclosures of cash flow information:			
Cash paid for interest	$ —	$ —	$ 325
Cash paid for income taxes	$ 29,233	$ 21,456	$ 13,326
Non-cash transactions:			
Transfers of inventory to fixed assets	$ 940	$ 1,781	$ 583
Additions to property, plant and equipment included in accounts payable	$ (187)	$ 124	$ 154
Gross (decrease) in contractual liability relating to fair value adjustment	$ (49)	$ (197)	$ (184)
Gross increase (decrease) in contingent consideration liability relating to fair value adjustment	$ 40	$ (106)	$ 650
Issuance of common stock under employee stock purchase plans	$ 5,889	$ 4,995	$ 4,545

The accompanying notes are an integral part of these consolidated financial statements.

NetScout Systems, Inc.

Notes to Consolidated Financial Statements

NOTE 1 – NATURE OF BUSINESS

NetScout Systems, Inc., or NetScout or the Company, is an industry leader for advanced network, application and service assurance solutions, providing high-quality performance analytics that help enterprise, government and service provider customers proactively manage service delivery and identify emerging performance problems. Our offerings help customers around the world quickly resolve technology issues that cause business disruptions or negatively impact the user experience. We design, develop, manufacture, market, license, sell and support these products in integrated hardware and software solutions that are used by commercial enterprises, large governmental agencies and telecommunication service providers in some of the world's largest, most demanding and complex internet protocol (IP) based service delivery environments. NetScout has a single operating segment and substantially all of its identifiable assets are located in the United States.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of NetScout and its wholly-owned subsidiaries. All inter-company transactions and balances have been eliminated in consolidation.

Segment Reporting

The Company reports as a single operating segment with the Chief Executive Officer (CEO) being the Company's chief operating decision maker. The Company's CEO reviews financial information presented on a consolidated basis for purposes of allocating resources and evaluating financial performance. Accordingly, the Company has one business activity and there are no segment managers who are held accountable for operations, operating results or components below the consolidated unit level.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates in these financial statements include revenue recognition, valuation of goodwill and acquired intangible assets and share-based compensation. These items are continuously monitored and analyzed by management for changes in facts and circumstances and material changes in these estimates could occur in the future.

Cash and Cash Equivalents and Marketable Securities

Under current authoritative guidance, NetScout has classified its investments as "available-for-sale" which are carried at fair value based on quoted market prices and associated unrealized gains or losses are recorded as a separate component of stockholders' equity until realized. NetScout considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents and those investments with original maturities greater than three months to be marketable securities.

At March 31, 2015 and periodically throughout the year, NetScout has maintained cash balances in various operating accounts in excess of federally insured limits. NetScout limits the amount of credit exposure by investing only with credit worthy institutions.

Revenue Recognition

We exercise judgment and use estimates in connection with determining the amounts of product and services revenues to be recognized in each accounting period.

Product revenue consists of sales of NetScout's hardware products (which include required embedded software that works together with the hardware to deliver the hardware's essential functionality), licensing of its software products, and sale of hardware bundled with a software license. Product revenue is recognized upon shipment, provided that evidence of an arrangement exists, title and risk of loss have passed to the customer, fees are fixed or determinable and collection of the related receivable is probable. Because many of NetScout's solutions are comprised of both hardware and more than incidental

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

software components, the Company recognizes revenue in accordance with authoritative guidance on both hardware and software revenue recognition.

Service revenue consists primarily of fees from customer support agreements, consulting and training. NetScout generally provides software and hardware support as part of product sales. Revenue related to the initial bundled software and hardware support is recognized ratably over the support period. In addition, customers can elect to purchase extended support agreements for periods after the initial software warranty expiration. Support services generally include rights to unspecified upgrades (when and if available), telephone and internet-based support, updates and bug fixes. Reimbursements of out-of-pocket expenditures incurred in connection with providing consulting services are included in services revenue, with the offsetting expense recorded in cost of service revenue. Training services include on-site and classroom training. Training revenues are recognized as the related training services are provided.

Generally, the Company's contracts are accounted for individually. However, when contracts are closely interrelated and dependent on each other, it may be necessary to account for two or more contracts as one to reflect the substance of the group of contracts.

Multi-element arrangements are concurrent customer purchases of a combination of NetScout's product and service offerings that may be delivered at various points in time. For multi-element arrangements comprised only of hardware products and related services, the Company allocates the total arrangement consideration to the multiple elements based on each element's selling price compared to the total relative selling price of all the elements. Each element's selling price is based on management's best estimate of selling price (BESP) paid by customers based on the element's historical pricing when VSOE or third party evidence (TPE) does not exist. The Company has established BESP for product elements as the average selling price the element was sold for over the past six quarters, whether sold alone or sold as part of a multiple element transaction. The Company's internal list price for products, reviewed quarterly by senior management, with consideration in regards to changing factors in its technology and in the marketplace, is generated to target the desired gross margin from sales of product after analyzing historical discounting trends. The Company reviews sales of the product elements on a quarterly basis and updates, when appropriate, its BESP for such elements to ensure that it reflects recent pricing experience. The Company has established VSOE for services related undelivered elements based on historical stand-alone sales.

For multi-element arrangements comprised only of software products and related services, the Company allocates a portion of the total arrangement consideration to the undelivered elements, primarily support agreements and training, using vendor-specific objective evidence of fair value for the undelivered elements. The remaining portion of the total arrangement consideration is allocated to the delivered software, referred to as the residual method. VSOE of fair value of the undelivered elements is based on the price customers pay when the element is sold separately. The Company reviews the separate sales of the undelivered elements on a quarterly basis and updates, when appropriate, its VSOE of fair value for such elements to ensure that it reflects recent pricing experience. If the Company cannot objectively determine the VSOE of the fair value of any undelivered software element, revenue is deferred until all elements are delivered and services have been performed, or until fair value can objectively be determined for any remaining undelivered elements.

For multi-element arrangements comprised of a combination of hardware and software elements, the total arrangement consideration is bifurcated between the hardware and hardware related deliverables and the software and software related deliverables based on the relative selling prices of all deliverables as a group. Then, arrangement consideration for the hardware and hardware-related services is recognized upon delivery or as the related services are provided outlined above and revenue for the software and software-related services is allocated following the residual method and recognized based upon delivery or as the related services are provided.

The Company's products are distributed through its direct sales force and indirect distribution channels through alliances with resellers. Revenue arrangements with resellers are recognized on a sell-in basis; that is, when NetScout delivers the product to the reseller. The Company records consideration given to a reseller as a reduction of revenue to the extent the Company has recorded revenue from the reseller. The Company does not offer contractual rights of return, stock balancing, or price protection to its resellers, and actual product returns from them have been insignificant to date. In addition, the Company has a history of successfully collecting receivables from the resellers. As a result, the Company does not maintain reserves for reseller product returns.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Commission Expense

The Company recognizes commission expense related to the renewal of maintenance contracts at the time an order is booked. As a result, commission expense can be recognized in full even though the related revenue may not be fully recognized. Base commission expense on product revenue and corresponding new maintenance contracts is recognized in the same period as related product revenue, typically upon shipment.

Uncollected Deferred Product Revenue

Because of NetScout's revenue recognition policies, there are circumstances for which the Company does not recognize revenue relating to sales transactions that have been billed, but the related account receivable has not been collected. While the receivable represents an enforceable obligation, for balance sheet presentation purposes, the Company has not recognized the deferred revenue or the related account receivable and no amounts appear in the consolidated balance sheets for such transactions. The aggregate amount of unrecognized accounts receivable and deferred revenue was $2.0 million and $9.0 million at March 31, 2015 and 2014, respectively.

Concentration of Credit Risk

Financial instruments that potentially subject us to concentration of credit risk consist primarily of investments, trade accounts receivable and accounts payable. Our cash, cash equivalents, and marketable securities are placed with financial institutions with high credit standings.

At March 31, 2015, the Company had one direct customer which accounted for more than 10% of the accounts receivable balance, while no indirect channel partner accounted for more than 10% of the accounts receivable balance. At March 31, 2014, one direct customer accounted for more than 10% of the accounts receivable balance, while no indirect channel partner accounted for more than 10% of the accounts receivable balance.

During the fiscal year ended March 31, 2015, two direct customers accounted for more than 10% of total revenue, while no indirect channel partner accounted for more than 10% of total revenue. During the fiscal year ended March 31, 2014, one direct customer accounted for more than 10% of total revenue, while no indirect channel partner accounted for more than 10% of total revenue. During the fiscal year ended March 31, 2013, no direct customer or indirect channel partner accounted for more than 10% of total revenue. Historically, the Company has not experienced any significant failure of its customers to meet their payment obligations nor does the Company anticipate material non-performance by its customers in the future; accordingly, the Company does not require collateral from its customers. However, if the Company's assumptions are incorrect, there could be an adverse impact on its allowance for doubtful accounts.

Trade Receivable Valuations

Accounts receivable are stated at their net realizable value. The allowance against gross trade receivables reflects the best estimate of probable losses inherent in the receivables portfolio determined on the basis of historical experience, specific allowances for known troubled accounts and other currently available information.

Inventories

Inventories are stated at the lower of actual cost or net realizable value. Cost is determined by using the first-in, first-out (FIFO) method.

Fixed Assets

Fixed assets are stated at cost and depreciated using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized on a straight-line basis over the shorter of the lease term or anticipated useful life of the improvement. Gains and losses upon asset disposal are recognized in the year of disposition. Expenditures for replacements and building improvements are capitalized, while expenditures for maintenance and repairs are charged against earnings as incurred.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Valuation of Goodwill, Intangible Assets and Other Acquisition Accounting Items

The Company has two reporting units: (1) Unified Service Delivery and (2) Test Optimization. Goodwill is tested for impairment at a reporting unit level at least annually, or on an interim basis if an event occurs or circumstances change that would, more likely than not, reduce the fair value of the reporting segment below its carrying value.

The Company performed the qualitative Step 0 assessment on its Unified Service Delivery reporting unit. In performing the qualitative Step 0 assessment, the Company considered certain events and circumstances specific to the entity at the reporting unit level, such as macroeconomic conditions, industry and market considerations, overall financial performance and cost factors when evaluating whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. No indicators of impairment were noted at January 31, 2015.

The Company performed the quantitative Step 1 assessment on its Test Optimization reporting unit. If the reporting unit's carrying value exceeds its fair value, the Company would record an impairment loss equal to the difference between the carrying value of goodwill and its implied fair value. The Company estimates the fair values of its reporting units using discounted cash flow valuation models. Those models require estimates of future revenues, profits, capital expenditures, working capital, terminal values based on revenue multiples, and discount rates for each reporting unit. The Company estimates these amounts by evaluating historical trends, current budgets, operating plans and industry data. The estimated fair value of the Test Optimization reporting unit was approximately 120 percent greater than its carrying value as of January 31, 2015.

Additionally, the market capitalization of NetScout as a whole significantly exceeded its carrying value.

Indefinite-lived assets are tested for impairment at a reporting unit level at least annually, or on an interim basis if an event occurs or circumstances change that would, more likely than not, reduce the fair value of the reporting segment below its carrying value. To test impairment, the Company first assesses qualitative factors to determine whether the existence of events and circumstances indicate that it is more likely than not that the indefinite-lived intangible asset is impaired. If based on the Company's qualitative assessment that it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount, quantitative impairment testing is required. However, if the Company concludes otherwise, quantitative impairment testing is not required.

NetScout amortizes acquired intangible assets over their estimated useful lives, except for an acquired tradename which has an indefinite life and thus, is not amortized. The carrying value of the indefinite lived tradename is evaluated annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. The Company completed its annual impairment test of the indefinite lived intangible at January 31, 2015 using the qualitative Step 0 assessment described above, which largely mirrors the Unified Service Delivery goodwill impairment assessment, as the tradenames apply to a majority of the products and branding within that reporting unit. No impairment indicators were identified at January 31, 2015.

The Company acquired two companies during the three year period ended March 31, 2015. The acquisition method of accounting requires an estimate of the fair value of the assets and liabilities acquired as part of these transactions. In order to estimate the fair value of acquired intangible assets the Company uses a relief from royalty model which requires management to estimate: future revenues expected to be generated by the acquired intangible assets, a royalty rate which a market participant would pay related to the projected revenue stream, a present value factor which approximates a risk adjusted rate of return for a market participant purchasing the assets, and a technology migration curve representing a period of time over which the technology assets or some portion thereof are still being used. The Company is also required to develop the fair value for customer relationships acquired as part of these transactions which requires that we create estimates for the following items: a projection of future revenues associated with the acquired company's existing customers, a turnover rate for those customers, a margin related to those sales, and risk adjusted rate of return for a market participant purchasing those relationships.

The acquisition of Simena LLC on November 18, 2011 also contained contingent features based on the ultimate settlement of assets and liabilities acquired as part of the transaction, and the former owners future period of employment with the Company. Contingent consideration accounting requires the Company to estimate the probability of various settlement scenarios, the former owners expected period of employment with NetScout, and a risk adjusted interest rate to present value to the payment streams.

Capitalized Software Development Costs

Costs incurred in the research and development of the Company's products are expensed as incurred, except for certain software development costs. Costs associated with the development of computer software are expensed prior to the establishment of technological feasibility and capitalized thereafter until the related software products are available for first customer shipment. Such costs are amortized using the straight-line method over the estimated economic life of the product, which generally does not exceed three years. Capitalized software development costs are periodically assessed for recoverability in the event of changes to the anticipated future revenue for the software products or changes in product technologies. Unamortized capitalized software development costs that are determined to be in excess of the net realizable value of the software products would be expensed in the period in which such a determination is made.

Typically for accounting purposes, these R&D investments have not been capitalized because of the development methodology employed. The developments are added individually to the core code over a shorter period of time but marketed as a release once all portions are complete.

Amortization included as cost of product revenue was $0 thousand, $0 thousand and $51 thousand for the years ended March 31, 2015, 2014, and 2013, respectively. The Company did not capitalize any software development costs in the years ended March 31, 2015 and 2014.

Derivative Financial Instruments

Under authoritative guidance for derivative instruments and hedging activities, all hedging activities must be documented at the inception of the hedge and must meet the definition of highly effective in offsetting changes to future cash flows in order for the derivative to qualify for hedge accounting. Under the guidance, if an instrument qualifies for hedge accounting, the changes in the fair value each period for open contracts, measured at the end of the period, are recorded to other comprehensive income. Otherwise, changes in the fair value are recorded in earnings each period. Management must perform initial and ongoing tests in order to qualify for hedge accounting. In accordance with the guidance, the Company accounts for its instruments under hedge accounting. The effectiveness and a measurement of ineffectiveness of qualifying hedge contracts are assessed by the Company quarterly. The Company records the fair value of its derivatives in prepaid and other current assets and accrued other. The effective portion of gains or losses resulting from changes in the fair value of qualifying hedges are recorded in other comprehensive income (loss) until the forecasted transaction occurs, with any ineffective portion classified directly to the Company's consolidated statement of operations based on the expense categories of the items being hedged. When forecasted transactions occur, unrealized gains or losses associated with the effective portion of the hedge are reclassified to the respective expense categories in the Company's consolidated statement of operations. Gains or losses related to hedging activity are included as operating activities in the Company's consolidated statement of cash flows. If the underlying forecasted transactions do not occur, or it becomes probable that they will not occur, the gain or loss on the related cash flow hedge is recognized immediately in earnings.

Contingencies

NetScout accounts for claims and contingencies in accordance with authoritative guidance that requires an estimated loss to be recorded from a claim or loss contingency when information available prior to issuance of our consolidated financial statements indicates that it is probable that a liability has been incurred at the date of the consolidated financial statements and the amount of the loss can be reasonably estimated. If NetScout determines that it is reasonably possible but not probable that an asset has been impaired or a liability has been incurred or if the amount of a probable loss cannot be reasonably estimated, then in accordance with the authoritative guidance, we disclose the amount or range of estimated loss if the amount or range of estimated loss is material. Accounting for claims and contingencies requires NetScout to use its judgment. NetScout consults with legal counsel on those issues related to litigation and seeks input from other experts and advisors with respect to matters in the ordinary course of business. See Note 17 for a discussion of contingencies.

Contingent liabilities includes contingent consideration in connection with the Company's acquisitions and contingent contractual non-compliance liability. Contingent consideration represents earnout payments in connection with the Company's acquisitions and is recognized at fair value on the acquisition date and remeasured each reporting period with subsequent adjustments recognized in the consolidated statements of income. The Company discounts the contingent purchase

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

consideration to present value using a risk adjusted interest rate at each reporting period. Contingent consideration is valued using significant inputs that are not observable in the market which are defined as Level 3 inputs pursuant to fair value measurement accounting. The Company believes its estimates and assumptions are reasonable, however, there is significant judgment involved.

Changes in the fair value of contingent liabilities may result from changes in discount periods. The Company reflects changes in fair value due to probability changes in earnings in the consolidated statements of income. Earnout payments are reflected in cash flows from financing activities and the changes in fair value are reflected in cash flows from operating activities in the consolidated statements of cash flows.

Share-based Compensation

NetScout recognizes compensation expense for all share-based payments granted. Under the fair value recognition provisions, share-based compensation is calculated net of an estimated forfeiture rate and compensation cost is only recognized for those shares expected to vest on a straight-line basis over the requisite service period of the award.

Foreign Currency

NetScout accounts for its reporting of foreign operations in accordance with guidance which establishes guidelines for the determination of the functional currency of foreign subsidiaries. A majority of NetScout's foreign subsidiaries are an extension of NetScout's U.S. operations. In accordance with the guidance, NetScout has determined its functional currency for those foreign subsidiaries to be the U.S. Dollar. Foreign subsidiary expenses that are denominated in a currency other than the U.S. Dollar functional currency are translated at the foreign exchange rate in effect at the time the transaction is recorded.

The Company does consolidate European subsidiaries which use the Euro as a functional currency. Accordingly, the assets and liabilities of those entities are translated into United States dollars using the period-end exchange rate, and income and expense items are translated using the average exchange rate during the period. Cumulative translation adjustments are reflected as a separate component of stockholders' equity. Foreign currency transaction gains and losses associated with non-Euro denominated balances held by those entities are charged to operations.

NetScout will experience currency exchange risk with respect to foreign currency denominated expenses. In order to partially offset the risks associated with the effects of certain foreign currency exposures, NetScout has established a program that utilizes foreign currency forward contracts. Under this program, increases or decreases in foreign currency exposures are partially offset by gains or losses on forward contracts, to mitigate the impact of foreign currency transaction gains or losses. The Company does not use forward contracts to engage in currency speculation. All outstanding foreign currency forward contracts are recorded at fair value at the end of each fiscal period.

The Company had a foreign currency loss of $1.4 million, a gain of $315 thousand and a gain of $3 thousand for the years ended March 31, 2015, 2014 and 2013, respectively, and are included in other (income) expense, net.

Advertising Expense

NetScout recognizes advertising expense as incurred. Advertising expense was $3.1 million, $2.4 million and $1.1 million for the years ended March 31, 2015, 2014 and 2013, respectively.

Comprehensive Income

Comprehensive income is comprised of net income and other comprehensive income (loss). Other comprehensive income (loss) typically consists of unrealized gains and losses on marketable securities and restricted investments, unrealized gain (loss) on hedge contracts and foreign currency translation adjustments.

Income Taxes

NetScout accounts for its income taxes under the asset and liability method. Under the asset and liability method, deferred tax assets and liabilities are recognized based on anticipated future tax consequences attributable to differences between financial statement carrying amounts of assets and liabilities and their respective tax bases, as well as the effect of any net operating loss and tax credit carryforwards. Income tax expense is comprised of the current tax liability or benefit and the

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

change in deferred tax assets and liabilities. We evaluate the recoverability of deferred tax assets by considering all positive and negative evidence relating to future profitability. We weigh objective and verifiable evidence more heavily in this analysis. In situations where we conclude that we do not have sufficient objective and verifiable evidence to support the realizability of the asset, we create a valuation allowance against it.

Recent Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers: Topic 606 (ASU 2014-09), to supersede nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than required under existing U.S. GAAP, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. In April 2015, the FASB issued an exposure draft to propose a delay of the effective date for one year, which would make the effective date for the Company in its first quarter of fiscal year 2019 using either of two methods: (i) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within ASU 2014-09; or (ii) retrospective with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined per ASU 2014-09. The Company is currently evaluating the impact of its pending adoption of ASU 2014-09 on its consolidated financial statements.

NOTE 3 – CASH, CASH EQUIVALENTS AND MARKETABLE SECURITIES

Cash and cash equivalents consisted of money market instruments and cash maintained with various financial institutions at March 31, 2015 and 2014.

The following is a summary of marketable securities held by NetScout at March 31, 2015 classified as short-term and long-term (in thousands):

	Amortized Cost	Unrealized Gains (Losses)	Fair Value
Type of security:			
U.S. government and municipal obligations	$ 88,651	$ 3	$ 88,654
Commercial paper	5,093	2	5,095
Corporate bonds	7,644	(1)	7,643
Total short-term marketable securities	101,388	4	101,392
U.S. government and municipal obligations	56,683	8	56,691
Corporate bonds	1,880	1	1,881
Total long-term marketable securities	58,563	9	58,572
Total marketable securities	$ 159,951	$ 13	$ 159,964

The following is a summary of marketable securities held by NetScout at March 31, 2014, classified as short-term and long-term (in thousands):

	Amortized Cost	Unrealized Gains	Fair Value
Type of security:			
U.S. government and municipal obligations	$ 53,854	$ 26	$ 53,880
Commercial paper	14,581	—	14,581
Corporate bonds	6,772	1	6,773
Total short-term marketable securities	75,207	27	75,234
U.S. government and municipal obligations	37,875	2	37,877
Corporate bonds	3,611	(4)	3,607
Total long-term marketable securities	41,486	(2)	41,484
Total marketable securities	$ 116,693	$ 25	$ 116,718

Contractual maturities of the Company's marketable securities held at March 31, 2015 and March 31, 2014 were as follows (in thousands):

	March 31, 2015	March 31, 2014
Available-for-sale securities:		
Due in 1 year or less	$ 101,392	$ 75,234
Due after 1 year through 5 years	58,572	41,484
	$ 159,964	$ 116,718

NOTE 4 – FAIR VALUE MEASUREMENTS

The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value. Level 1 refers to fair values determined based on quoted prices in active markets for identical assets. Level 2 refers to fair values estimated using significant other observable inputs, and Level 3 includes fair values estimated using significant non-observable inputs. The following tables present the Company's financial assets and liabilities measured on a recurring basis using the fair value hierarchy at March 31, 2015 and 2014 (in thousands).

	Fair Value Measurements at March 31, 2015			
	Level 1	Level 2	Level 3	Total
ASSETS:				
Cash and cash equivalents	$ 104,893	$ —	$ —	$ 104,893
U.S. government and municipal obligations	46,564	98,781	—	145,345
Commercial paper	—	5,095	—	5,095
Corporate bonds	9,524	—	—	9,524
Derivative financial instruments	—	15	—	15
	$ 160,981	$ 103,891	$ —	$ 264,872
LIABILITIES:				
Contingent consideration	$ —	$ —	$ (4,484)	$ (4,484)
Derivative financial instruments	—	(1,664)	—	(1,664)
	$ —	$ (1,664)	$ (4,484)	$ (6,148)

	Fair Value Measurements at March 31, 2014			
	Level 1	Level 2	Level 3	Total
ASSETS:				
Cash and cash equivalents	$ 82,079	$ 19,997	$ —	$ 102,076
U.S. government and municipal obligations	21,992	69,765	—	91,757
Commercial paper	—	14,581	—	14,581
Corporate bonds	10,380	—	—	10,380
Derivative financial instruments	—	368	—	368
	$ 114,451	$ 104,711	$ —	$ 219,162
LIABILITIES:				
Contingent consideration	$ —	$ —	$ (4,291)	$ (4,291)
Contingent contractual non-compliance liability	—	—	(49)	(49)
Derivative financial instruments	—	(139)	—	(139)
	$ —	$ (139)	$ (4,340)	$ (4,479)

This hierarchy requires the Company to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value. On a recurring basis, the Company measures certain financial assets and liabilities at fair value, including marketable securities and derivative financial instruments.

The Company's Level 1 investments are classified as such because they are valued using quoted market prices or alternative pricing sources with reasonable levels of price transparency.

The Company's Level 2 investments are classified as such because fair value is being calculated using data from similar but not identical sources, or a discounted cash flow model using the contractual interest rate as compared to the underlying interest yield curve. The Company's derivative financial instruments consist of forward foreign exchange contracts and are

NOTE 4 – FAIR VALUE MEASUREMENTS (Continued)

classified as Level 2 because the fair values of these derivatives are determined using models based on market observable inputs, including spot prices for foreign currencies and credit derivatives, as well as an interest rate factor. The Company classifies municipal obligations as level 2 because the fair values are determined using quoted prices from markets the Company considers to be inactive. Commercial paper is classified as Level 2 because the Company uses market information from similar but not identical instruments and discounted cash flow models based on interest rate yield curves to determine fair value. For further information on the Company's derivative instruments refer to Note 9.

The Company's contingent purchase consideration at March 31, 2015 and 2014 was classified as Level 3 in the fair value hierarchy. The contingent contractual non-compliance liability was also classified as Level 3 at March 31, 2014. At March 31, 2015, the contingent non-compliance liability has been reduced to zero as NetScout has either settled those liabilities or believes that because of the passage of time that the probability of a future negative settlement is essentially zero. The liabilities are classified as Level 3 because the estimate of future payment scenarios is based on assumptions developed by management.

The following table sets forth a reconciliation of changes in the fair value of the Company's Level 3 financial liabilities for the year ended March 31, 2015 (in thousands):

	Contingent Purchase Consideration	Contingent Contractual Non-compliance Liability
Balance at March 31, 2014	$ (4,291)	$ (49)
(Increase) / decrease in fair value and accretion expense (included within research and development expense)	(193)	49
Balance at March 31, 2015	$ (4,484)	$ —

The Company has updated the probabilities used in the fair value calculation of the contingent liabilities at March 31, 2015 which reduced the net liability by $9 thousand and is included as part of earnings for the fiscal year ended March 31, 2015. Key assumptions include a 3.3% discount rate, and a percent weighted-probability of the settlement of the contingent contractual non-compliance liability. Deal related compensation expense, accretion charges and changes related to settlements of contractual non-compliance liabilities for the fiscal year ended March 31, 2015 was $153 thousand and was included as part of earnings.

The following table sets forth a reconciliation of changes in the fair value of the Company's Level 3 financial liabilities for the year ended March 31, 2014 (in thousands):

	Contingent Purchase Consideration	Contingent Contractual Non-compliance Liability
Balance at March 31, 2013	$ (5,087)	$ (246)
(Increase) / decrease in fair value and accretion expense (included within research and development expense)	(45)	197
Payments	841	—
Balance at March 31, 2014	$ (4,291)	$ (49)

The Company had updated the probabilities used in the fair value calculation of the contingent liabilities at March 31, 2014, which reduced the liability by $303 thousand and is included as part of earnings for the fiscal year ended March 31, 2014. The fair value of the contingent purchase consideration was estimated by applying a probability based model, which utilizes significant inputs that are unobservable in the market. Key assumptions include a 3.3% discount rate, a stay period of two or three years and a percent weighted-probability of the settlement of the contingent contractual non-compliance liability. Deal related compensation expense, accretion charges and changes related to settlements of contractual non-compliance liabilities for the fiscal year ended March 31, 2014 was $151 thousand and was included as part of earnings.

During the fiscal year ended March 31, 2014, $841 thousand related to the contingent purchase consideration as part of the acquisition of Simena was paid to the former owner.

NOTE 5 – INVENTORIES

Inventories are stated at the lower of actual cost or net realizable value. Cost is determined by using the FIFO method. Inventories consist of the following (in thousands):

	March 31, 2015	March 31, 2014
Raw materials	$ 6,134	$ 6,025
Work in process	17	161
Finished goods	5,979	6,394
	$ 12,130	$ 12,580

NOTE 6 – FIXED ASSETS

Fixed assets consist of the following (in thousands):

	Estimated Useful Life in Years	March 31, 2015	March 31, 2014
Furniture and fixtures	3-7	$ 3,739	$ 3,693
Computer equipment and internal use software	3-5	69,259	62,045
Demonstration and spare part units	2	12,092	10,755
Leasehold improvements (1)	up to 12	14,709	13,141
		99,799	89,634
Less – accumulated depreciation		(75,935)	(66,536)
		$ 23,864	$ 23,098

(1) Leasehold improvements are depreciated over the shorter of the lease term or anticipated useful life of the improvement.

Depreciation expense was $12.6 million, $11.4 million and $9.8 million for the years ended March 31, 2015, 2014 and 2013, respectively.

NOTE 7 – ACQUISITIONS

While the Company uses its best estimates and assumptions as part of the purchase price allocation process to value the assets acquired and liabilities assumed on the acquisition date, its estimates and assumptions are subject to refinement. As a result, during the preliminary purchase price allocation period, which may be up to one year from the acquisition date, the Company records adjustments to the assets acquired and liabilities assumed with a corresponding offset to goodwill. The Company records adjustments to the assets acquired and liabilities assumed subsequent to the purchase price allocation period in the Company's operating results in the period in which the adjustments were determined. The results of operations of the acquired businesses described below have been included in the Company's consolidated financial statements beginning on their respective acquisition dates unless indicated otherwise below.

ONPATH

On October 31, 2012, the Company acquired ONPATH Technologies, Inc. (ONPATH), an established provider of scalable packet flow switching technology for high-performance networks for the aggregation and distribution of network traffic for data, voice, video testing, monitoring, performance management and cybersecurity deployments for $41.0 million in cash.

Accanto

On July 20, 2012, the Company acquired certain assets, technology and employees of Accanto Systems, S.r.l. (Accanto), a supplier of service assurance solutions for telecommunication service providers which enables carriers to monitor and manage the delivery of voice services over converged, next generation telecom architectures for $15.0 million in cash.

NOTE 7 – ACQUISITIONS (Continued)

The following table presents unaudited pro forma results of the historical Consolidated Statements of Operations of the Company and ONPATH and Accanto for the year ended March 31, 2013 giving effect to the mergers as if they occurred on April 1, 2012 (in thousands, except per share data):

	Year Ended March 31, (unaudited) 2013	
Pro forma revenue	$	361,086
Pro forma net income	$	34,589
Pro forma income per share:		
Basic	$	0.83
Diluted	$	0.82
Pro forma shares outstanding		
Basic		41,665
Diluted		42,322

The pro forma results for the years ended March 31, 2013 and 2012 primarily include adjustments for amortization of intangible assets. This pro forma information does not purport to indicate the results that would have actually been obtained had the acquisition been completed on the assumed date, or which may be realized in the future.

NOTE 8 – GOODWILL & INTANGIBLE ASSETS

Goodwill

The Company has two reporting units: (1) Unified Service Delivery and (2) Test Optimization. At March 31, 2015 and March 31, 2014, goodwill attributable to the Unified Service Delivery reporting unit was $195.0 million and $201.0 million, respectively. Goodwill attributable to the Test Optimization reporting unit was $2.4 million at March 31, 2015 and March 31, 2014. Goodwill is tested for impairment at a reporting unit level at least annually, or on an interim basis if an event occurs or circumstances change that would, more likely than not, reduce the fair value of the reporting unit below its carrying value. The Company completed its annual impairment test on January 31, 2015. No indicators of impairment were noted at that time. Additionally, the market capitalization of the Company as a whole significantly exceeded its carrying value.

The change in the carrying amount of goodwill for the fiscal year ended March 31, 2015 is due to the impact of foreign currency translation adjustments related to asset balances that are recorded currencies other than the U.S. Dollar. The changes in the carrying amounts of goodwill for the fiscal year ended March 31, 2014 are due to the impact of foreign currency translation adjustments related to asset balances that are recorded currencies other than the U.S. Dollar.

The changes in the carrying amount of goodwill for the fiscal years ended March 31, 2015 and 2014 are as follows (in thousands):

Balance at March 31, 2013	$	202,453
Purchase accounting adjustments		(665)
Foreign currency translation impact		1,658
Balance at March 31, 2014	$	203,446
Foreign currency translation impact		(6,001)
Balance at March 31, 2015	$	197,445

Intangible Assets

The net carrying amounts of intangible assets were $50.2 million and $58.5 million at March 31, 2015 and 2014, respectively. Intangible assets acquired in a business combination are recorded under the acquisition method of accounting at their estimated fair values at the date of acquisition. The Company amortizes intangible assets over their estimated useful lives, except for the acquired trade name which resulted from the Network General acquisition, which has an indefinite life and thus is not amortized. The carrying value of the indefinite lived trade name is evaluated for potential impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired.

During the fiscal year ended March 31, 2014, the Company acquired certain rights to Accanto software not previously purchased as part of the acquisition transaction in fiscal year 2013 for $500 thousand. This amount is included within developed technology and is being amortized using the economic benefit method over a useful life of 6.3 years.

During the fiscal year ended March 31, 2014, the Company acquired a certain technology license for $300 thousand. This amount is included within developed technology and is being amortized using the economic benefit method over a useful life of 3.0 years.

The Company completed its annual impairment test of the indefinite lived intangible at January 31, 2015, using the qualitative Step 0 assessment described above which largely mirrors the Unified Service Delivery goodwill impairment assessment, as the tradenames apply to a majority of the products and branding within that reporting unit. No impairment indicators were observed at January 31, 2015. As such the Company concluded the indefinite lived intangible was not impaired.

Intangible assets include an indefinite lived trade name with a carrying value of $18.6 million and the following amortizable intangible assets at March 31, 2015 (in thousands):

	Cost	Accumulated Amortization	Net
Developed technology	$ 30,865	$ (25,561)	$ 5,304
Customer relationships	38,498	(16,935)	21,563
Distributor relationships	1,585	(711)	874
Core technology	7,118	(3,660)	3,458
Non-compete agreements	280	(280)	—
Other	943	(562)	381
	$ 79,289	$ (47,709)	$ 31,580

Intangible assets include an indefinite lived trade name with a carrying value of $18.6 million and the following amortizable intangible assets at March 31, 2014 (in thousands):

	Cost	Accumulated Amortization	Net
Developed technology	$ 31,946	$ (23,524)	$ 8,422
Customer relationships	38,801	(14,046)	24,755
Distributor relationships	2,014	(568)	1,446
Core technology	7,572	(2,701)	4,871
Non-compete agreements	355	(295)	60
Other	769	(410)	359
	$ 81,457	$ (41,544)	$ 39,913

Amortization of software and core technology included as cost of product revenue was $3.6 million, $3.3 million and $4.5 million for the fiscal years ended March 31, 2015, 2014 and 2013, respectively. Amortization of other intangible assets included as operating expense was $3.5 million, $3.6 million and $3.1 million for the fiscal years ended March 31, 2015, 2014 and 2013, respectively.

The following is the expected future amortization expense at March 31, 2015 for the years ended March 31 (in thousands):

2016	$ 6,269
2017	5,716
2018	4,891
2019	3,981
2020	3,500
Thereafter	7,223
Total	$ 31,580

The weighted average amortization period of acquired software and core technology is 6.7 years. The weighted average amortization period for customer relationships is 13.3 years. The weighted average amortization period for amortizing all intangible assets is 10.1 years.

NOTE 9 – DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

NetScout operates internationally and, in the normal course of business, is exposed to fluctuations in foreign currency exchange rates. The exposures result from costs that are denominated in currencies other than the U.S. Dollar, primarily the Euro, British Pound, Canadian Dollar, and Indian Rupee. The Company manages its foreign cash flow risk by hedging forecasted cash flows for operating expenses denominated in foreign currencies for up to twelve months, within specified guidelines through the use of forward contracts. The Company enters into foreign currency exchange contracts to hedge cash flow exposures from costs that are denominated in currencies other than the U.S. Dollar. These hedges are designated as cash flow hedges at inception.

All of the Company's derivative instruments are utilized for risk management purposes, and the Company does not use derivatives for speculative trading purposes. These contracts will mature over the next twelve months and are expected to impact earnings on or before maturity.

The notional amounts and fair values of derivative instruments in the consolidated balance sheets at March 31, 2015 and 2014 were as follows (in thousands):

	Notional Amounts (a)		Prepaid Expenses and Other Current Assets		Accrued Other	
	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
Derivatives Designated as Hedging Instruments:						
Forward contracts	$ 20,203	$ 17,483	$ 15	$ 368	$ 1,664	$ 139

(a) Notional amounts represent the gross contract/notional amount of the derivatives outstanding.

The following table provides the effect foreign exchange forward contracts had on other comprehensive income (loss), (OCI) and results of operations at March 31, 2015 and 2014 (in thousands):

Derivatives in Cash Flow Hedging Relationships	Effective Portion: Gain (Loss) Recognized in OCI on Derivative (a)		Effective Portion: Gain (Loss) Reclassified from Accumulated OCI into Income (b)			Ineffective Portion: Gain (Loss) Recognized in Income (Amount Excluded from Effectiveness Testing) (c)		
	March 31, 2015	March 31, 2014	Location	March 31, 2015	March 31, 2014	Location	March 31, 2015	March 31, 2014
Forward contracts	$ (3,050)	$ 95	Research and development	$ 217	$ (373)	Research and development	$ 193	$ 245
			Sales and marketing	1,123	164	Sales and marketing	25	1
	$ (3,050)	$ 95		$ 1,340	$ (209)		$ 218	$ 246

(a) The amount represents the change in fair value of derivative contracts due to changes in spot rates.
(b) The amount represents reclassification from other comprehensive income to earnings that occurs when the hedged item affects earnings.
(c) The amount represents the change in fair value of derivative contracts due to changes in the difference between the spot price and forward price that is excluded from the assessment of hedge effectiveness and therefore recognized in earnings. No gains or losses were reclassified as a result of discontinuance of cash flow hedges.

NOTE 10 – RESTRUCTURING CHARGES

During the fiscal year ended March 31, 2013, the Company restructured part of its international sales organization related to an overlap of personnel acquired as part of the Accanto acquisition. The Company recorded $1.2 million of restructuring charges related to severance costs.

The following table provides a summary of the activity related to these restructuring plans and the related liability included as accrued compensation on the Company's consolidated balance sheet (in thousands):

	Employee Severance
Balance at March 31, 2013	$ 910
Other adjustments	(49)
Cash payments	(790)
Balance at March 31, 2014	$ 71
Cash payments	(71)
Balance at March 31, 2015	$ —

NOTE 11 – LONG-TERM DEBT

On November 22, 2011, the Company entered into a credit facility (the Credit Agreement) with a syndicate of lenders led by KeyBank National Association (KeyBank) providing the Company with a $250 million revolving credit facility, which may be increased to $300 million at any time up to 90 days before maturity. The revolving credit facility includes a swing line loan sub-facility of up to $10 million and a letter of credit sub-facility of up to $10 million. The credit facility under the Credit Agreement matures on November 21, 2016. At March 31, 2015, there were no amounts outstanding under this credit facility.

At the Company's election, revolving loans under the Credit Agreement bear interest at either (a) a rate per annum equal to the highest of (1) KeyBank's prime rate, (2) 0.50% in excess of the federal funds effective rate, or (3) one hundred (100.00) basis points in excess of the London Interbank Offered Rate for one-month interest periods, or the Base Rate; or (b) the one-, two-, three-, or six-month per annum London InterBank Offered Rate (LIBOR), as selected by the Company, multiplied by the statutory reserve adjustment, or collectively, the Eurodollar Rate, in each case plus an applicable margin. Swing line loans will bear interest at the Base Rate plus the applicable Base Rate margin. Beginning with the delivery of the Company's financial statements for the quarter ended December 31, 2011, the applicable margin began to depend on the Company's leverage ratio, ranging from 100 basis points for Base Rate loans and 200 basis points for Eurodollar Rate loans if the Company's consolidated leverage ratio is 2.50 to 1.00 or higher, down to 25 basis points for Base Rate loans and 125 basis points for Eurodollar Rate loans if the Company's consolidated leverage ratio is 1.00 to 1.00 or less.

The Company may prepay loans under the Credit Agreement at any time, without penalty, subject to certain notice requirements. Debt is recorded at the amount drawn on the revolving credit facility plus interest based on floating rates reflective of changes in the market which approximates fair value.

The loans are guaranteed by each of the Company's domestic subsidiaries and are collateralized by all of the assets of the Company and its domestic subsidiaries, as well as 65% of the capital stock of the Company's foreign subsidiaries directly owned by the Company and its domestic subsidiaries. The Credit Agreement generally prohibits any other liens on the assets of the Company and its subsidiaries, subject to certain exceptions as described in the Credit Agreement. The Credit Agreement contains certain covenants applicable to the Company and its subsidiaries, including, without limitation, limitations on additional indebtedness, liens, various fundamental changes (including mergers and dispositions of assets), dividends and distributions, capital expenditures, investments (including acquisitions and investments in foreign subsidiaries), transactions with affiliates, sale-leaseback transactions, hedge agreements, payment of junior financing, material changes in business, and other limitations customary in senior secured credit facilities. In addition, the Company is required to maintain certain consolidated leverage and interest coverage ratios as well as a minimum liquidity amount. At March 31, 2015, the Company was in compliance with all of these covenants.

NOTE 12 – NET INCOME PER SHARE

Calculations of the basic and diluted net income per share and potential common shares are as follows (in thousands, except for per share data):

	Year Ended March 31,		
	2015	2014	2013
Numerator:			
Net income	$ 61,192	$ 49,106	$ 40,609
Denominator:			
Denominator for basic net income per share - weighted average common shares outstanding	41,105	41,366	41,665
Dilutive common equivalent shares:			
Weighted average stock options	9	54	122
Weighted average restricted stock units	523	535	535
Denominator for diluted net income per share - weighted average shares outstanding	41,637	41,955	42,322
Net income per share:			
Basic net income per share	$ 1.49	$ 1.19	$ 0.97
Diluted net income per share	$ 1.47	$ 1.17	$ 0.96

The following table sets forth options and restricted stock units excluded from the calculation of diluted net income per share, since their inclusion would be antidilutive (in thousands):

	Year Ended March 31,		
	2015	2014	2013
Restricted stock units	14	—	41

Basic EPS is calculated by dividing net income by the weighted average number of shares outstanding during the period. Unvested restricted shares, although legally issued and outstanding, are not considered outstanding for purposes of calculating basic earnings per share. Diluted EPS is calculated by dividing net income by the weighted average number of shares outstanding plus the dilutive effect, if any, of outstanding stock options, restricted shares and restricted stock units using the treasury stock method. The calculation of the dilutive effect of outstanding equity awards under the treasury stock method includes consideration of proceeds from the assumed exercise of stock options, unrecognized compensation expense and any tax benefits as additional proceeds.

NOTE 13 – TREASURY STOCK

Under an open market stock repurchase program, subject to market conditions and other factors, the Company had the option to purchase up to four million shares of the Company's outstanding common stock. The Company repurchased 243,300 shares for $9.4 million, 1,000,407 shares for $28.8 million and 999,499 shares for $23.5 million under the program during the fiscal years ended March 31, 2015, 2014 and 2013, respectively. As of March 31, 2015, the Company had repurchased all authorized shares under this stock repurchase program.

On April 22, 2014, the Company's board of directors approved an additional stock repurchase program. This program authorizes management to make additional repurchases of NetScout outstanding common stock of up to $100 million. The share repurchase authorization does not have an expiration date and the pace and timing of repurchases will depend on factors such as cash generation from operations, cash requirements for acquisitions, economic and market conditions, stock price and legal and regulatory requirements. Through March 31, 2015, the company has repurchased 756,700 shares totaling $31.5 million in the open market under this stock repurchase plan. At March 31, 2015, $68.5 million of common stock remained available to be purchased under the plan.

In connection with the vesting and release of the restriction on previously vested shares of restricted stock, the Company repurchased 247,568 shares for $10.8 million, 216,198 shares for $5.5 million and 169,531 shares for $3.9 million related to minimum statutory tax withholding requirements on these restricted stock units during the fiscal years ended March 31, 2015, 2014 and 2013, respectively. These repurchase transactions do not fall under the repurchase program described above, and therefore do not reduce the amount that is available for repurchase under that program.

NOTE 14 – STOCK PLANS

2011 Employee Stock Purchase Plan

On September 7, 2011, the Company's stockholders approved the 2011 Employee Stock Purchase Plan (the ESPP), under which 2,500,000 shares of the Company's common stock have been reserved for issuance. The Company implemented the ESPP on March 1, 2012. Eligible employees may purchase shares of the Company's common stock through regular payroll deductions of up to 20% of their eligible compensation. Under the terms of the offering under the ESPP, the number of shares of the Company's common stock which a participant could purchase during any purchase period is limited to 2,000. In addition, the fair market value of shares purchased by an individual participant in the plan may not exceed $25,000 if the contribution period is within any calendar year. However, if contribution periods overlap calendar years, an individual participant is eligible to utilize the unused portion of the $25,000 limit from the subsequent purchase in the current purchase up to $50,000. Under the ESPP, shares of the company's common stock may be purchased on the last day of each bi-annual offering period at 85% of the fair market value on the last day of such offering period. The offering periods run from March 1 through August 31 and from September 1 through February 28 of each year. During the fiscal year ended March 31, 2015, employees purchased 137,500 shares under the ESPP with a weighted average purchase price per share of $42.82. At March 31, 2015, 2,015,000 shares were available for future issuance under the ESPP.

1999 Stock Option and Incentive Plan

In April 1999, NetScout adopted the 1999 Stock Option and Incentive Plan (1999 Stock Option Plan). The 1999 Stock Option Plan, which was replaced by the 2007 Equity Incentive Plan effective September 12, 2007, provided for the grant of share-based awards to employees, officers and directors, consultants or advisors. Under the 1999 Stock Option Plan, NetScout could grant options that were intended to qualify as incentive stock options, options not intended to qualify as incentive stock options, restricted stock and other share-based awards. Incentive stock options could be granted only to employees of NetScout. At March 31, 2015, no options to purchase shares of common stock were outstanding under the 1999 Stock Option Plan. No additional grants can be made under the 1999 Stock Option Plan.

2007 Equity Incentive Plan

In September 2007, the 2007 Equity Incentive Plan (2007 Plan), replaced the 1999 Stock Option Plan. The 2007 Plan permits the granting of stock options, restricted stock and restricted stock units, collectively referred to as "share-based awards." Periodically, the Company grants share-based awards to employees and officers of the Company and its subsidiaries. The Company accounts for these share-based awards in accordance with GAAP, which requires the measurement and recognition of compensation expense based on estimated fair values for all share-based payment awards made to its employees and directors. Share-based award grants are generally measured at fair value on the date of grant based on the number of shares granted and the quoted price of the Company's common stock. Such value is recognized as a cost of revenue or an operating expense over the corresponding vesting period. On September 7, 2011, the Company's stockholders approved an amendment and restatement of the 2007 Equity Incentive Plan (the Amended 2007 Plan) to increase the shares of common stock reserved for issuance by 8,000,000 shares. A total of 13,000,000 shares are reserved for issuance under the Amended 2007 Plan. In addition, any shares not delivered to a participant because an award is exercised through a reduction of shares subject to the award (cashless exercise) will not be available for issuance under the Amended 2007 Plan and any shares reacquired by the Company to cover withholding taxes upon exercise of a stock option or stock appreciation right or as consideration for the exercise of a stock option or stock appreciation right will not become available for issuance under the Amended 2007 Plan. Shares withheld to cover tax liabilities of restricted stock unit grants will be restored to the available reserve on the 2 for 1 amount. Furthermore, the share reserve under the Amended 2007 Plan is reduced one share for each share of common stock issued pursuant to a stock option or stock appreciation right and two shares for each share of common stock issued pursuant to restricted stock, restricted stock units, performance stock awards, or other stock awards granted under the Amended 2007 Plan on or after March 31, 2011. At March 31, 2015, an aggregate of 1,929,315 equity awards were outstanding under the Amended 2007 Plan.

The 2007 Plan is administered by the Compensation Committee of the Board of Directors. The Compensation Committee operates under guidelines established by the Board of Directors. The Compensation Committee had the authority to select the employees and consultants to whom awards are granted (except for directors and executive officers) and determine the terms of each award, including the number of shares of common stock subject to the award.

NOTE 14 – STOCK PLANS (Continued)

Share-based awards generally vest over four years. The exercise price of incentive stock options shall not be less than 100% of the fair market value of the common stock at the date of grant (110% for incentive stock options granted to holders of more than 10% of the voting stock of NetScout). The term of options granted cannot exceed ten years (five years for incentive stock options granted to holders of more than 10% of the voting stock of NetScout).

Based on historical experience, the Company assumed an annualized forfeiture rate of 0% for awards granted to its directors, 2% for awards granted to its senior executives, and 5% granted to all remaining employees during the fiscal year ended March 31, 2015. During the fiscal years ended March 31, 2014 and 2013, the Company assumed an annualized forfeiture rate of 0% for awards granted to its directors, and an annualized forfeiture rate of 10% for awards granted to its senior executives and remaining employees during fiscal years.

The following is a summary of share-based compensation expense including restricted stock units and employee stock purchases made under our employee stock purchase plan (ESPP) based on estimated fair values within the applicable cost and expense lines identified below (in thousands):

	Year Ended March 31,		
	2015	2014	2013
Cost of product revenue	$ 338	$ 228	$ 235
Cost of service revenue	1,194	741	342
Research and development	5,505	4,361	2,944
Sales and marketing	4,841	3,791	3,035
General and administrative	4,702	3,809	3,024
	$ 16,580	$ 12,930	$ 9,580

Transactions under the 1999 Stock Option Plan and the 2007 Equity Incentive Plan during the fiscal years ended March 31, 2015, 2014 and 2013 are summarized in the table below. The Company has revised the weighted average fair values, the aggregate intrinsic value of options exercised and the aggregated fair values of restricted stock units vested for fiscal years 2013 and 2014. These revisions correct immaterial errors identified within those tables.

	Stock Options		Restricted Stock Units	
	Number of Shares	Weighted Average Exercise Price	Number of Awards	Weighted Average Fair Value
Outstanding – March 31, 2012	240,892	$ 6.63	1,755,325	$ 13.33
Granted	—	—	764,893	24.15
Exercised (Options)/Issued (RSU's)	(86,892)	6.62	(549,932)	13.76
Canceled	0	0.00	(99,460)	16.85
Outstanding – March 31, 2013	154,000	$ 6.63	1,870,826	$ 18.09
Granted	—	—	602,359	25.75
Exercised (Options)/Issued (RSU's)	(117,650)	6.91	(635,254)	17.14
Canceled	(5,000)	3.76	(99,632)	17.61
Outstanding – March 31, 2014	31,350	$ 5.87	1,738,299	$ 21.11
Granted	—	—	1,009,770	36.92
Exercised (Options)/Issued (RSU's)	(23,850)	5.87	(728,239)	18.97
Canceled	(7,500)	5.87	(90,515)	21.44
Outstanding – March 31, 2015	—	$ —	1,929,315	$ 30.18

At March 31, 2015, there were 5,682,319 shares of common stock available for grant under the 2007 Plan.

NOTE 14 – STOCK PLANS (Continued)

The Company does not currently expect to repurchase shares from any source to satisfy its obligations under the 2007 Plan.

The aggregate intrinsic value of stock options exercised and the fair value of restricted stock units vested at March 31, 2015, 2014 and 2013 were as follows (in thousands):

	Year Ended March 31,		
	2015	2014	2013
Total intrinsic value of stock options exercised	$ 800	$ 2,375	$ 1,564
Total fair value of restricted stock unit awards vested	$ 31,651	$ 16,104	$ 12,814

At March 31, 2015, there was no unrecognized compensation cost related to stock options.

At March 31, 2015, the total unrecognized compensation cost related to restricted stock unit awards was $49.4 million, which is expected to be amortized over a weighted-average period of 2.0 years.

NOTE 15 – RETIREMENT PLAN

In 1996, NetScout established an employee savings plan, which is intended to qualify under Section 401(k) of the Internal Revenue Code of 1986, as amended. NetScout matches 50% of the employee's contribution up to 6% of the employee's salary. NetScout contributions vest at a rate of 25% per year of service. NetScout made matching contributions of $2.6 million, $2.5 million and $1.9 million to the plan for the years ended March 31, 2015, 2014 and 2013, respectively.

NOTE 16 – INCOME TAXES

Income before income tax expense consisted of the following (in thousands):

	Year Ended March 31,		
	2015	2014	2013
Domestic	$ 93,447	$ 80,515	$ 66,735
Foreign	1,518	(2,659)	(2,999)
	$ 94,965	$ 77,856	$ 63,736

The components of the income tax expense are as follows (in thousands):

	Year Ended March 31,		
	2015	2014	2013
Current income tax expense:			
Federal	$ 25,927	$ 20,123	$ 15,826
State	3,825	2,260	2,266
Foreign	1,307	1,174	1,035
	31,059	23,557	19,127
Deferred income tax expense (benefit):			
Federal	2,836	5,347	5,161
State	17	96	320
Foreign	(139)	(250)	(1,481)
	2,714	5,193	4,000
	$ 33,773	$ 28,750	$ 23,127

NOTE 16 – INCOME TAXES (Continued)

The income tax expense computed using the federal statutory income tax rate differs from NetScout's effective tax rate primarily due to the following:

	Year Ended March 31, 2015	2014	2013
Statutory U.S. federal tax rate	35.0%	35.0%	35.0%
State taxes, net of federal tax effect	3.2	2.8	3.6
Research and development tax credits	(1.4)	(1.9)	(2.1)
Tax rate differential of foreign operations	0.1	0.2	0.7
Domestic production activities deduction	(2.9)	(2.7)	(2.9)
Change in valuation allowance	0.4	2.0	0.4
Transaction costs	—	—	0.7
Other	1.2	1.5	0.9
	35.6%	36.9%	36.3%

The components of net deferred tax assets are as follows (in thousands):

	Year Ended March 31, 2015	2014
Assets:		
Accrued expenses	$ 3,730	$ 3,954
Depreciation	(732)	140
Deferred revenue	9,054	8,873
Reserves	1,651	1,006
Net operating loss carryforwards	19,214	23,730
Tax credit carryforwards	3,838	3,628
Share-based compensation	2,660	2,125
Transaction related costs	4,001	—
Other	808	233
	44,224	43,689
Liabilities:		
Intangible assets	(29,202)	(25,659)
Valuation allowance	(3,906)	(4,941)
	$ 11,116	$ 13,089

Deferred tax assets and liabilities are recognized based on the anticipated future tax consequences, attributable to differences between financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which the differences are expected to reverse. We evaluate the recoverability of deferred tax assets by considering all positive and negative evidence relating to future profitability. We weigh objective and verifiable evidence more heavily in this analysis. In situations where we conclude that we do not have sufficient objective and verifiable evidence to support the realizability of the asset we create a valuation allowance against it. A valuation allowance has been established for the deferred tax assets related to Psytechnics Ltd., NetScout Systems Italy Srl. and for certain deferred tax assets related to the acquisition of ONPATH, as well as for the federal foreign tax credits acquired as part of the Network General acquisition, as the Company has determined there is not sufficient objective evidence to support the realizability of these tax assets. If it is later determined the Company is able to use all or a portion of the deferred tax assets for which a valuation allowance has been established, then the Company may be required to recognize these deferred tax assets through a tax benefit recorded in the period such determination is made.

NOTE 16 – INCOME TAXES (Continued)

At March 31, 2015, undistributed earnings of non-U.S. subsidiaries totaled $21.3 million. No provision for U.S. income and foreign withholding taxes has been made for these permanently invested foreign earnings because it is expected that such earnings will be reinvested indefinitely. If these earnings were distributed to the United States in the form of dividends or otherwise, they would be included in the Company's U.S. taxable income. The amount of unrecognized deferred income tax liability related to these earnings is approximately $1.9 million.

At March 31, 2015, the Company had United States federal net operating loss carryforwards of $34.2 million, state net operating loss carryforwards of approximately $67.3 million and gross federal and state research and development tax carryforwards of $4.5 million. The net operating loss and credit carryforwards will expire at various dates beginning in 2023 and extending through 2033, if not utilized. The Company also had foreign net operating loss carryforwards of approximately $19.5 million at March 31, 2015. The majority of foreign net operating losses have no expiration dates. Utilization of the U.S. net operating losses and credits are subject to an annual limitation due to the ownership change limitations provided by the Internal Revenue Code of 1986, as amended, and similar state tax provisions.

The Company files U.S. federal tax returns and files returns in various state, local and foreign jurisdictions. With respect to the U.S. federal and primary state jurisdictions, the Company is no longer subject to examinations by tax authorities for tax years before 2013, although carryforward attributes that were generated prior to 2013 may still be adjusted upon examination if they either have been or will be used in a future period. The Company also receives inquiries from various tax jurisdictions during the year, and some of those inquiries may include an audit of the tax return previously filed. In the normal course of business, NetScout and its subsidiaries are examined by various taxing authorities, including the IRS in the United States. At March 31, 2015, the Company remained subject to examination in the United States for the 2013 and 2014 tax years.

A reconciliation of the beginning and ending amount of unrecognized tax benefits for the fiscal years ended March 31, 2015, 2014 and 2013 is as follows (in thousands):

	Year Ended March 31,		
	2015	2014	2013
Balance at April 1,	$ 421	$ 370	$ 335
Additions based on tax positions related to the current year	45	51	35
Release of tax positions of prior years	(75)	—	—
Increase in unrecognized tax benefits as a result of a tax position taken during a prior period	647	—	—
Balance at March 31,	$ 1,038	$ 421	$ 370

The Company notes that a majority of the unrecognized tax benefits are in the appeals process in foreign jurisdictions. We are unable to make a reliable estimate when cash settlement, if any, will occur with a tax authority as the timing of examinations and ultimate resolution of those examinations is uncertain. All of the unrecognized tax benefits would affect the effective tax rate if recognized.

The Company includes interest and penalties accrued in the consolidated financial statements as a component of the tax provision.

NOTE 17 – COMMITMENTS AND CONTINGENCIES

Acquisition related

The Company has one contingent liability related to the acquisition of Simena in November 2011 for future consideration to be paid to the former seller which had an initial fair value of $8.0 million at the time of acquisition. At March 31, 2015, the present value of the future consideration was $4.5 million.

Legal

From time to time, NetScout is subject to legal proceedings and claims in the ordinary course of business. In the opinion of management, the amount of ultimate expense with respect to any current legal proceedings and claims, if determined adversely, will not have a significant adverse effect on the Company's financial condition, results of operations or cash flows.

NOTE 17 – COMMITMENTS AND CONTINGENCIES (Continued)

Leases

NetScout leases office space under non-cancelable operating leases. Total rent expense under the leases was $5.9 million, $6.0 million and $5.7 million for the fiscal years ended March 31, 2015, 2014 and 2013, respectively.

At March 31, 2015, future non-cancelable minimum lease commitments (including office space, copiers and automobiles) are as follows (in thousands):

Year Ending March 31,		
2016	$	6,065
2017		4,971
2018		4,106
2019		2,738
2020		2,593
Remaining years		8,688
Total minimum lease payments	$	29,161

NOTE 18 – SEGMENT AND GEOGRAPHIC INFORMATION

The Company reports revenues and income under one reportable segment. The consolidated financial information is used by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

The Company manages its business in the following geographic areas: United States, Europe, Asia and the rest of the world. In accordance with United States export control regulations, the Company does not sell or do business with countries subject to economic sanctions and export controls.

Total revenue by geography is as follows (in thousands):

	Year Ended March 31,		
	2015	2014	2013
United States	$ 348,354	$ 303,364	$ 262,020
Europe	46,253	45,837	42,884
Asia	27,685	20,646	18,107
Rest of the world	31,377	26,800	27,539
	$ 453,669	$ 396,647	$ 350,550

The United States revenue includes sales to resellers in the United States. These resellers fulfill customer orders and may subsequently ship the Company's products to international locations. The Company reports these shipments as United States revenue since the Company ships the products to a United States location. A majority of revenue attributable to locations outside of the United States is a result of export sales. Substantially all of the Company's identifiable assets are located in the United States.

NOTE 19 - RELATED PARTY TRANSACTION

A member of the Company's Board of Directors also serves as a member of the board of directors for EMC Corp. (EMC) and therefore, the Company considers sales to EMC to be a related party transaction. The Company generated $374 thousand in revenue from EMC during the fiscal year ended March 31, 2015 in the ordinary course of business. Another member of the Company's Board of Directors also serves as a Section 16 officer of State Street and therefore, the Company considers sales to State Street to be a related party transaction. The Company generated $240 thousand in revenue from State Street during the fiscal year ended March 31, 2015 in the ordinary course of business.

NOTE 20 – PROPOSED ACQUISITION

On October 12, 2014, NetScout Systems, Inc., Danaher Corporation (Danaher), Potomac Holding LLC, a wholly-owned subsidiary of Danaher (Newco), RS Merger Sub I, Inc., a wholly-owned subsidiary of the Company (Merger Sub) and RS Merger Sub II, LLC, a wholly-owned subsidiary of the Company (Merger Sub II and, together with Merger Sub, the Merger Subs), entered into an Agreement and Plan of Merger and Reorganization (Merger Agreement) pursuant to which the Company will acquire the communications group business of Danaher conducted under the brands Tektronix Communications, Fluke Networks and Arbor Networks (Communications Business), but excluding Danaher's data communications cable installation business and its communication service provider business in a Reverse Morris Trust transaction (the Transaction).

Prior to the Mergers (as defined below) and pursuant to a Separation and Distribution Agreement (Distribution Agreement), dated as of October 12, 2014, among Danaher, Newco and the Company, Danaher will, among other things, transfer the Communications Business to Newco and, thereafter, Danaher will distribute to Danaher stockholders , either through a split-off or spin-off transaction, all of the issued and outstanding shares of Newco (the Distribution).

Immediately following the Distribution, the Company, Danaher, Newco and the Merger Subs will effect a two-step merger process whereby (i) Merger Sub I will merge with and into Newco, with Newco continuing as the surviving corporation (the First Merger) and (ii) immediately following the First Merger, Newco will merge with and into Merger Sub II, with Merger Sub II surviving as a wholly-owned subsidiary of the Company (the Second Merger, and together with the First Merger, the Mergers).

Upon consummation of the transactions contemplated by the Merger Agreement and the Distribution Agreement, the common units of Newco then outstanding will be automatically converted into 62.5 million shares of the Company's common stock (the Company Common Stock) and will represent approximately 59.5% of the Company Common Stock on a fully-diluted basis after giving effect to the stock issuance and the issuance to Newco employees of certain NetScout restricted stock units in the Transaction. The Company's existing equityholders will continue to hold the remaining approximately 40.5% of the Company Common Stock. The common units of Newco then outstanding could convert into more than 62.5 million shares of the Company's common stock if the Company issues Company Common Stock in certain acquisitions prior to the First Merger (in which case such additional conversion shares shall be calculated by multiplying 1.46 by the number of shares of Company Common Stock issued in such acquisition).

The consummation of the First Merger is subject to various customary closing conditions, including, among other things (i) accuracy of Danaher's and the Company' representations and warranties, (ii) compliance by Danaher and the Company with certain covenants in the Merger Agreement, (iii) effectiveness of the registration statements to be filed with the Securities and Exchange Commission to register the Newco common units and the Company Common Stock to be issued to Danaher's stockholders, (iv) approval of the Company's stockholders of the issuance of the Company Common Stock in the First Merger, (v) completion of the transactions contemplated by the Distribution Agreement, (vi) no material adverse effect shall have occurred with respect to either the Company or the Communications Business, (vii) absence of any law or order from any court or governmental authority restraining, enjoining or prohibiting the Transaction and (xiii) receipt of certain rulings from the Internal Revenue Service.

The Merger Agreement contains certain termination rights for both the Company and Danaher and further provides that, upon termination of the Merger Agreement under specified circumstances, the Company must pay Danaher a termination fee of $55 million. The circumstances under which the Company must pay Danaher the termination fee include, among other circumstances:

- the Merger Agreement is terminated by Danaher following a Company triggering event. A Company triggering event is defined in the Merger Agreement to include, among other things, the failure of the Company's board of directors to recommend that the Company's stockholders vote in favor of the issuance of the Company Common Stock in the First Merger, the withdrawal or adverse modification by the Company's board of directors of such recommendation, or the Company's material breach of its covenants not to solicit any alternative acquisition proposal

- if the Merger Agreement is terminated by (x) either Danaher or NetScout because the First Merger has not been consummated by October 12, 2015 or (y) by Danaher because NetScout has breached or failed to perform in any material respect any of its representations, warranties, covenants or other agreements contained in the Merger Agreement and (A) after October 12, 2014 but before such termination, an acquisition proposal shall have been made to NetScout and (B) within 9 months after such termination NetScout reaches a definitive agreement to consummate or consummates such acquisition proposal

- if the Merger Agreement is terminated by NetScout or Danaher because NetScout's stockholders failed to approve the issuance of shares of NetScout's common stock in the First Merger at the NetScout special meeting (including any adjournment or postponement of the NetScout special meeting) and (A) after October 12, 2014 but before such termination, an acquisition proposal shall have been made to NetScout and (B) within 9 months after such termination NetScout reaches a definitive agreement to consummate or consummates such acquisition proposal

The Company has incurred $12.0 million in acquisition related costs during the fiscal year ended March 31, 2015.

In connection with RBC Capital Markets' services as NetScout's financial advisor, NetScout has agreed to pay RBC Capital Markets an aggregate fee of $11 million, a portion of which was payable upon delivery of RBC Capital Markets' opinion and $9.5 million of which is contingent upon consummation of the Mergers. NetScout also has agreed to reimburse RBC Capital Markets for expenses reasonably incurred in connection with RBC Capital Markets' services and to indemnify RBC Capital Markets and related persons against certain liabilities, including liabilities under the federal securities laws, arising out of RBC Capital Markets' engagement.

The transaction is expected to increase NetScout's scale and broaden its customer base in both the service provider and enterprise markets, while accelerating NetScout's entry into the Cyber Intelligence market. The transaction is expected to close in the first half of NetScout's fiscal year 2016.

NOTE 21 – SUBSEQUENT EVENTS

On May 19, 2015, the Company's board of directors approved a new share repurchase program, conditional upon the completion of the Company's planned acquisition of Danaher Corporation's Communications Business, that will enable the Company to repurchase up to 20 million shares of its common stock. Upon it becoming effective, this new share repurchase plan would replace the Company's existing open market stock repurchase program.

NOTE 22 – QUARTERLY RESULTS OF OPERATIONS – UNAUDITED

The following table sets forth certain unaudited quarterly results of operations of NetScout for the fiscal years ended March 31, 2015 and 2014. In the opinion of management, this information has been prepared on the same basis as the audited consolidated financial statements and all necessary adjustments, consisting only of normal recurring adjustments, have been included in the amounts stated below to present fairly the quarterly information when read in conjunction with the audited consolidated financial statements and notes thereto included elsewhere in this Annual Report on Form 10-K. The quarterly operating results are not necessarily indicative of future results of operations.

	Three Months Ended (in thousands, except per share data)							
	March 31, 2015	Dec. 31, 2014	Sept. 30, 2014	June 30, 2014	March 31, 2014	Dec. 31, 2013	Sept. 30, 2013	June 30, 2013
Revenue	$ 119,385	$ 122,833	$ 103,599	$ 107,852	$ 112,317	$ 110,428	$ 92,097	$ 81,805
Gross profit	$ 95,997	$ 95,851	$ 82,004	$ 85,256	$ 88,032	$ 86,826	$ 72,393	$ 64,883
Net income	$ 20,854	$ 17,629	$ 11,233	$ 11,476	$ 16,676	$ 17,294	$ 9,883	$ 5,253
Diluted net income per share	$ 0.50	$ 0.42	$ 0.27	$ 0.27	$ 0.40	$ 0.41	$ 0.24	$ 0.12

NetScout Systems, Inc.
Schedule II—Valuation and Qualifying Accounts
(in thousands)

	Balance at Beginning of Year	Additions Resulting in Charges to Operations	Charges to Other Accounts	Deductions Due to Write-Offs	Balance at End of Year
Year ended March 31, 2013					
Allowance for doubtful accounts	$ 226	$ 560	$ 284	$ (99)	$ 971
Deferred tax asset valuation allowance	$ 3,529	$ 101	$ 165	$ —	$ 3,795
Year ended March 31, 2014					
Allowance for doubtful accounts	$ 971	$ 250	$ (40)	$ (868)	$ 313
Deferred tax asset valuation allowance	$ 3,795	$ 837	$ 309	$ —	$ 4,941
Year ended March 31, 2015					
Allowance for doubtful accounts	$ 313	$ (140)	$ —	$ —	$ 173
Deferred tax asset valuation allowance	$ 4,941	$ 152	$ —	$ (1,187)	$ 3,906

NetScout Systems, Inc

Index to Exhibits

2.1	Agreement and Plan of Merger dated October 31, 2012 by and among NetScout Systems, Inc., Gold Merger Sub, Inc., OnPATH Technologies Inc., and Blueprint Ventures Management I, LLC, solely in its capacity as the representative of certain holders of OnPATH's securities (filed as Exhibit 2.1 to NetScout's Current Report on Form 8-K, SEC File No. 000-26251, filed on November 1, 2012 and incorporated herein by reference)
2.2 ***	Agreement and Plan of Merger and Reorganization dated October 12, 2014 by and among NetScout Systems, Inc., Danaher Corporation, Potomac Holding LLC, RS Merger Sub I, Inc., and RS Merger Sub II, LLC (filed as Exhibit 2.1 to NetScout's current report on Form 8-K, SEC File No. 000-26251, filed with the SEC on October 14, 2014 and incorporated herein by reference).
2.3 ***	Separation and Distribution Agreement dated October 12, 2014 by and among Danaher Corporation, NetScout Systems, Inc. and Potomac Holding LLC (filed as Exhibit 10.1 to NetScout's current report on Form 8-K, SEC File No. 000-26251, filed with the SEC on October 14, 2014 and incorporated herein by reference).
3.1, 4.1	Third Amended and Restated Certificate of Incorporation of NetScout (filed as Exhibit 3.3, 4.1 to NetScout's Registration Statement on Form S-1, SEC File No. 333-76843, and incorporated herein by reference).
3.2, 4.2	Composite copy of Amended and Restated By-laws of NetScout (filed as Exhibits 3.1, 4.1 to NetScout's current Report on Form 8-K, SEC File No. 000-26251, filed on July 17, 2014 and incorporated herein by reference).
4.3	Specimen Certificate for shares of NetScout's Common Stock (filed as Exhibit 4.3 to NetScout's Annual Report on Form 10-K for the fiscal year ended March 31, 2001, SEC File No. 000-26251, filed on June 29, 2001, and incorporated herein by reference).
10.1*	Form of Amended and Restated Indemnification Agreement between NetScout and each director and executive officer filed as Exhibit 10.1 to NetScout's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2013, SEC File No. 000-26251, filed January 28, 2014, and incorporated herein by reference).
10.2*	Form of Incentive Stock Option Agreement – Incorporated Terms and Conditions pursuant to 1999 Stock Option and Incentive Plan, as amended (filed as Exhibit 10.1 to NetScout's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2004, SEC File No 000-26251, filed November 4, 2004 and incorporated herein by reference).
10.3	Lease between Arturo J. Gutierrez and John A. Cataldo, Trustees of Nashoba Westford Realty Trust, u/d/t dated April 27, 2000 and recorded with the Middlesex North Registry of Deeds in Book 10813, Page 38 and NetScout for Westford Technology Park West, as amended (filed as Exhibit 10.26 to NetScout's Annual Report on Form 10-K for the fiscal year ended March 31, 2001, SEC File No. 000-26251, filed on June 29, 2001, and incorporated herein by reference).
10.4*	Agreement Relating to Employment, dated January 3, 2007, by and between NetScout and Anil K. Singhal (filed as Exhibit 10.2 to NetScout's Current Report on Form 8-K, SEC File No. 000-26251, filed on January 5, 2007 and incorporated herein by reference).
10.5*	Amendment No. 1, dated February 2, 2007, to Agreement Relating to Employment by and between the Company and Anil K. Singhal (filed as exhibit 10.1 to NetScout's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2006, SEC File No. 000-26251, filed February 5, 2007 and incorporated herein by reference).
10.6*	Amendment No. 2, dated December 22, 2008, to Agreement Relating to Employment by and between the Company and Anil K. Singhal (filed as exhibit 10.1 to NetScout's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2008, SEC File No. 000-26251, filed February 6, 2009 and incorporated herein by reference).
10.7*	Amendment No. 3, dated May 28, 2012, to Agreement Relating to Employment, by and between the Company and Anil K. Singhal (filed as Exhibit 10.3 to NetScout's Current Report on Form 8-K, SEC File No. 000-26251, filed on June 1, 2012 and incorporated herein by reference).

10.8*	NetScout Systems, Inc. Amended and Restated 2007 Equity Incentive Plan (incorporated by reference to Appendix A of NetScout's definitive proxy statement, SEC File No. 000-26251, filed with the SEC on July 26, 2011).
10.9*	NetScout Form of Restricted Stock Unit Agreement with respect to the NetScout 2007 Equity Incentive Plan (filed as Exhibit 99.2 to NetScout’s Registration Statement on Form S-8, SEC File No. 333-148364, filed on December 27, 2007 and incorporated herein by reference).
10.10	Credit and Security Agreement, dated as of November 22, 2011, by and among NetScout Systems, Inc., KeyBank National Association, as joint lead arranger, sole book runner and administrative agent, Wells Fargo Bank, National Association, as joint lead arranger and co-syndication agent, Merrill Lynch, Pierce, Fenner & Smith Incorporated, as joint lead arranger, Bank of America, N.A., as co-syndication agent, and Silicon Valley Bank and Comerica Bank, as co-documentation agents, and the Lenders party thereto. (filed as Exhibit 10.1 to NetScout’s Current Report on Form 8-K, SEC File No. 000-26251, filed on November 29, 2011 and incorporated herein by reference).
10.11*	Form of Amended and Restated Severance Agreement for Named Executive Officers (other than the CEO and CFO) (filed as Exhibit 10.1 to NetScout’s Current Report on Form 8-K, SEC File No. 000-26251, filed on June 1, 2012 and incorporated herein by reference).
10.12*	Amended and Restated Severance Agreement, dated May 28, 2012, by and between the Company and Jean Bua (filed as Exhibit 10.2 to NetScout’s Current Report on Form 8-K, SEC File No. 000-26251, filed on June 1, 2012 and incorporated herein by reference).
10.13	Third Amendment Agreement, dated August 10, 2010, to that certain Lease, dated August 17, 2000, as amended, between the Company and Westford West I Limited Partnership, as successor to Arturo J. Gutierrez and John A. Cataldo, Trustees of Nashoba Westford Realty Trust, u/d/t dated April 27, 2000 (filed as Exhibit 10.1 to NetScout’s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2010, SEC File No. 000-26251, filed November 9, 2010 and incorporated herein by reference).
10.14*	NetScout Systems, Inc. Amended and Restated 2011 Employee Stock Purchase Plan (filed as Exhibit 10.1 to NetScout’s Current Report on Form 8-K, SEC File No. 000-26251, filed on February 14, 2012 and incorporated herein by reference) .
10.15 *	Summary of Non-Employee Director Compensation (filed as Exhibit 10.8 to NetScout’s Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2014, SEC File No. 000-26251, filed on January 27, 2015 and incorporated herein by reference).
10.16 *	Form of Amendment to Amended and Restated Severance Agreement for Executive Officers (filed as Exhibit 10.9 to NetScout’s Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2014, SEC File No. 000-26251, filed on January 27, 2015 and incorporated herein by reference).
21	Subsidiaries of NetScout (filed herewith).
23	Consent of PricewaterhouseCoopers LLP (filed herewith).
31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1†	Certification Pursuant to Section 906 of the Sarbanes–Oxley Act of 2002 (furnished herewith).
32.2†	Certification Pursuant to Section 906 of the Sarbanes–Oxley Act of 2002 (furnished herewith).
101.INS**	XBRL Instance Document.
101.SCH**	XBRL Taxonomy Extension Schema Document.
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB**	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document.

*	Indicates a management contract or compensatory plan or arrangement.
**	XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.
***	Exhibits and schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K and will be supplementally provided to the SEC upon request.
†	Exhibit has been furnished, is not deemed filed and is not to be incorporated by reference into any of the Company's filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, irrespective of any general incorporation language contained in any such filing

CORPORATE INFORMATION

NETSCOUT™

BOARD OF DIRECTORS

ANIL K. SINGHAL
Chairman of the Board, President
and Chief Executive Officer
NetScout Systems, Inc.

VICTOR A. DEMARINES
President and Chief Executive Officer (Retired)
MITRE Corporation

ROBERT E. DONAHUE
President and Chief Executive Officer (Retired)
Authorize.net Holdings Inc.

JOHN R. EGAN
Managing Partner
Egan-Managed Capital, L.P.

JOSEPH G. HADZIMA, JR.
Managing Director
Main Street Partners, LLC

JAMES A. LICO
Executive Vice President
Danaher Corporation

VINCENT J. MULLARKEY
Senior Vice President, Finance
and Chief Financial Officer (Retired)
Digital Equipment Corporation

CHRISTOPHER PERRETTA
Executive Vice President and
Chief Information Officer
State Street Corporation

EXECUTIVE OFFICERS

ANIL K. SINGHAL
Founder, Chairman of the Board,
President and Chief Executive Officer

MICHAEL SZABADOS
Chief Operating Officer

JEAN BUA
Senior Vice President,
Chief Financial Officer and Treasurer

JOHN W. DOWNING
Senior Vice President, Worldwide Sales
Operations

CORPORATE HEADQUARTERS

310 Littleton Road
Westford, MA 01886
Telephone (978) 614-4000
Fax (978) 614-4004
Web: www.netscout.com

FORM 10-K

Stockholders may obtain copies of the exhibits to the Company's Annual Report on Form 10-K as filed with the Securities and Exchange Commission at the SEC's Web site www.sec.gov or by contacting NetScout Investor Relations or by visiting our Web site: www.netscout.com/investors

INVESTOR RELATIONS

ANDREW KRAMER
Vice President, Investor Relations
NetScout Systems, Inc.
310 Littleton Road
Westford, MA 01886 USA
Telephone (978) 614-4000
Email: IR@netscout.com

ANNUAL MEETING

The Annual Meeting of Stockholders of the Company will be held on Tuesday, September 22, 2015 at 10:00 a.m. ET at NetScout's corporate headquarters

LEGAL COUNSEL

Cooley LLP
Boston, MA

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

PricewaterhouseCoopers LLP
Boston, MA

TRANSFER AGENT

Computershare
P.O. Box 43006
Providence, RI 02940-3006
Stockholder Inquiries:
Telephone (877) 239-1247
TDD for hearing impaired (800) 231-5469
Foreign Shareowners (201) 680-6578
TDD Foreign Shareowners (201) 680-6610
http://www.computershare.com/investor

COMMON STOCK

Common stock of NetScout Systems, Inc. is traded on the Nasdaq Global Select Market under the symbol "NTCT"

NTCT
NASDAQ
GLOBAL SELECT

CORPORATE HEADQUARTERS

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