

NETSCOUT SYSTEMS INC
Form SC TO-I
November 08, 2002

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE TO
(Rule 13e-4)
TENDER OFFER STATEMENT UNDER
SECTION 14(d)(1) OR 13(e)(1)
OF THE SECURITIES EXCHANGE ACT OF 1934

NetScout Systems, Inc.

(Name of Subject Company (Issuer) and Filing Person (Offeror))

Options to Purchase Common Stock

(Title of Class of Securities)

64115 T 10 4

(CUSIP Number of Class of Securities)

(Common Stock Underlying Options)

Anil K. Singhal
President and Chief Executive Officer
NetScout Systems, Inc.
310 Littleton Road
Westford, MA 01886
(978) 614-4000

With A Copy To:
Miguel J. Vega, Esq.
Testa, Hurwitz & Thibault, LLP
125 High Street
Boston, MA 02110
(617) 248-7000

(Name, Address and Telephone Number of Person Authorized to
Receive Notice and Communications on Behalf of Filing Person)

CALCULATION OF FILING FEE

| <u>Transaction Valuation*</u> | <u>Amount of Filing Fee</u> |
|-------------------------------|-----------------------------|
| \$9,040,230 | \$ 832 |

*

For purposes of calculating the amount of filing fee only. The amount assumes options to purchase 2,489,666 shares of NetScout Systems, Inc. common stock, par value \$.001 per share, having an aggregate value of \$9,040,230 as of November 5, 2002 will be exchanged pursuant to this offer. The aggregate value of such options was calculated based on the Black-Scholes option-pricing model. The amount of the filing fee, calculated in accordance with Section 13(e) and Rule 0-11 of the Securities Exchange Act of 1934, as amended, equals the value of this transaction multiplied by \$0.000092.

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

Amount Previously Paid: N/A
Form or Registration No.: N/A

Filing Party: N/A
Date Filed: N/A

Check the box if the filing relates solely to preliminary communications made before the commencement of a tender offer.

Check the appropriate boxes below to designate any transactions to which the statement relates:

- third-party tender offer subject to Rule 14d-1.
- issuer tender offer subject to Rule 13e-4.
- going-private transaction subject to Rule 13e-3.
- amendment to Schedule 13D under Rule 13d-2.

Check the following box if the filing is a final amendment reporting the results of the tender offer:

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Item 1. Summary Term Sheet.

The information set forth under "Summary Term Sheet" in the Offer to Exchange, dated November 8, 2002 (the "Offer to Exchange"), attached hereto as Exhibit (a)(1)(A), is incorporated herein by reference.

Item 2. Subject Company Information.

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(a) *Name and Address.* The name of the issuer is NetScout Systems, Inc., a Delaware corporation (the "Company" or "NetScout"), and the address of its principal executive office is 310 Littleton Road, Westford, MA 01886, telephone: (978) 614-4000. The information set forth in the Offer to Exchange under Section 9 ("Information Concerning NetScout") is incorporated herein by reference.

(b) *Securities.* This Tender Offer Statement on Schedule TO (this "Schedule TO") relates to an offer by the Company (the "Offer") to exchange outstanding options to purchase shares of the Company's common stock, par value \$.001 per share, with an exercise price of at least \$10.00 per share held by current employees of the Company or its subsidiaries, other than the Chief Executive Officer and the Chairman of the Board of Directors of the Company, that have been granted under the Company's 1999 Stock Option and Incentive Plan, as amended (the "1999 Plan") and the NextPoint Networks, Inc. 2000 Stock Incentive Plan assumed by NetScout in connection with the acquisition of NextPoint (the "2000 Plan") for new options that will be granted under the 1999 Plan upon the terms and subject to the conditions in the Offer to Exchange and the related Election Form and Transmittal Letter, copies of which are attached hereto as Exhibits (a)(1)(A) and (a)(1)(B), respectively. Members of the Board of Directors and consultants of NetScout are not eligible to participate in this Offer. The information set forth in the Offer to Exchange under "Summary Term Sheet", Section 1 ("Number of Options; Expiration Date"), Section 5 ("Acceptance of Options for Exchange and Termination and Issuance of New Options in Substitution Therefor"), Section 7 ("Price Range of Common Stock Underlying the Options") and Section 8 ("Source and Amount of Consideration; Terms of 2000 Plan, 1999 Plan and New Options") is incorporated herein by reference.

(c) *Trading Market and Price.* There is no established trading market for the subject options described under Item 2(b) above. The information set forth in the Offer to Exchange under Section 7 ("Price Range of Common Stock Underlying the Options") is incorporated herein by reference.

Item 3. Identity and Background of Filing Person.

(a) *Name and Address.* The information set forth under Item 2(a) above is incorporated herein by reference. The information set forth in Schedule A to the Offer to Exchange, attached hereto as Exhibit (a)(1)(A), is incorporated herein by reference. The filing person is the subject company.

Item 4. Terms of the Transaction.

(a) *Material Terms.* The information set forth in the Offer to Exchange under "Summary Term Sheet", Section 1 ("Number of Options; Expiration Date"), Section 3 ("Procedures for Making an Election and Tendering Options"), Section 4 ("Withdrawal Rights"), Section 5 ("Acceptance of Options for Exchange and Termination and Issuance of New Options in Substitution Therefor"), Section 6 ("Conditions of the Offer"), Section 8 ("Source and Amount of Consideration; Terms of 2000 Plan, 1999 Plan and New Options"), Section 11 ("Status of Options Acquired by Us in the Offer; Accounting Consequences of the Offer"), Section 12 ("Legal Matters; Regulatory Approvals"), Section 13 ("Material U.S. Federal Income Tax Consequences"), Section 14 ("Material Income Tax Consequences for Non-U.S. Residents") and Section 15 ("Extension of Offer; Termination; Amendment") is incorporated herein by reference.

(b) *Purchases.* The information set forth in the Offer to Exchange under Section 10 ("Interests of Directors and Officers") is incorporated herein by reference.

Item 5. Past Contacts, Transactions, Negotiations and Agreements.

(e) *Agreements Involving the Subject Company's Securities.* The information set forth in the Offer to Exchange under Section 10 ("Interests of Directors and Officers") is incorporated herein by reference. In addition, the information set forth on Pages 14-15 "Employment Agreements" and Page 15 "Transactions with Management and Others" of the Company's Definitive Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission ("SEC") on August 23, 2002, the Stock Purchase and Redemption Agreement dated December 31, 1998 by and among NetScout, Greylock Equity Limited Partnership, certain affiliates of TA Associates, Inc. and Egan-Managed Capital, L.P. (filed as Exhibit 10.4 to NetScout's Registration Statement on Form S-1 (No. 333-76843)), the Amended and Restated Rights Agreement entered into as of January 15, 1999 by and among NetScout, Greylock Equity Limited Partnership, certain affiliates of TA Associates, Inc. and Egan-Managed Capital, L.P. (filed as Exhibit 10.5 to NetScout's Registration Statement on Form S-1 (No. 333-76843)) and Items 10 ("Directors and Officers"), 11 ("Executive Compensation"), 12 ("Security Ownership of Certain Beneficial Owners and Management") and 13 ("Certain Relationships and Related Transactions") in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2002 and filed with the SEC on June 28, 2002 are incorporated herein by reference.

Item 6. Purposes of the Transaction and Plans or Proposals.

(a) *Purposes.* The information set forth in the Offer to Exchange under Section 2 ("Purpose of the Offer") is incorporated herein by reference.

(b) *Use of Securities Acquired.* The information set forth in the Offer to Exchange under Section 5 ("Acceptance of Options for Exchange and Termination and Issuance of New Options in Substitution Therefor") and Section 11 ("Status of Options Acquired by Us in the Offer; Accounting Consequences of the Offer") is incorporated herein by reference.

(c) *Plans.* The information set forth in the Offer to Exchange under Section 2 ("Purpose of the Offer") is incorporated herein by reference.

Item 7. Source and Amount of Funds or Other Consideration.

(a) *Source of Funds.* The information set forth in the Offer to Exchange under Section 8 ("Source and Amount of Consideration; Terms of 2000 Plan, 1999 Plan and New Options") and Section 16 ("Fees and Expenses") is incorporated herein by reference.

(b) *Conditions.* The information set forth in the Offer to Exchange under Section 6 ("Conditions of the Offer") is incorporated herein by reference.

(d) *Borrowed Funds.* Not applicable.

Item 8. Interest in Securities of the Subject Company.

(a) *Securities Ownership.* The information set forth in the Offer to Exchange under Section 10 ("Interests of Directors and Officers") is incorporated herein by reference.

(b) *Securities Transactions.* Not applicable.

Item 9. Persons/Assets, Retained, Employed, Compensated or Used.

(a) *Solicitations or Recommendations.* Not applicable.

Item 10. Financial Statements.

(a) *Financial Information.* The information set forth in the Offer to Exchange under Section 9 ("Information Concerning NetScout"), Section 17 ("Additional Information"), Section 18 ("Forward-

Looking Statements; Miscellaneous") and the financial information included under Items 8 ("Financial Statements & Supplementary Data") and 14 ("Exhibits, Financial Statement Schedules and Reports on 8-K") in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2002 and filed with the SEC on June 28, 2002 and under Item 1 ("Financial Statements") in the Company's Quarterly Report on Form 10-Q for the three months ended September 30, 2002 and filed with the SEC on November 8, 2002 is incorporated herein by reference.

(b) *Pro Forma Information.* Not applicable.

Item 11. Additional Information.

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- (a) *Agreements, Regulatory Requirements and Legal Proceedings.* Not applicable.
- (b) *Other Material Information.* Not applicable.

Item 12. Exhibits.

- (a)(1)(A) Offer to Exchange dated November 8, 2002.
- (a)(1)(B) Form of Election Form and Transmittal Letter.
- (a)(1)(C) Form of Letter to Eligible Option Holders Regarding Offer.
- (a)(1)(D) Form of Letter to Tendering Option Holders Regarding Acceptance of Tendered Option Grants.
- (a)(5)(A) NetScout's Annual Report on Form 10-K for the year ended March 31, 2002, filed with the SEC on June 28, 2002 and incorporated herein by reference.
- (a)(5)(B) NetScout's Quarterly Report on Form 10-Q for the three months ended September 30, 2002, filed with the SEC on November 8, 2002 and incorporated herein by reference.
- (a)(5)(C) NetScout's Definitive Proxy Statement on Schedule 14A filed with the SEC on August 23, 2002 and incorporated herein by reference.
- (a)(5)(D) Stock Purchase and Redemption Agreement dated December 31, 1998 by and among NetScout, Greylock Equity Limited Partnership, certain affiliates of TA Associates, Inc. and Egan-Managed Capital, L.P. (filed with the SEC as Exhibit 10.4 to NetScout's Registration Statement on Form S-1 (No. 333-76843)) and incorporated herein by reference.
- (a)(5)(E) Amended and Restated Rights Agreement entered into as of January 15, 1999 by and among NetScout, Greylock Equity Limited Partnership, certain affiliates of TA Associates, Inc. and Egan-Managed Capital, L.P. (filed with the SEC as Exhibit 10.5 to NetScout's Registration Statement on Form S-1 (No. 333-76843)) and incorporated herein by reference.
- (a)(5)(F) Form of Email Reminder to Option Holders
- (b) Not applicable.

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- (d)(1) NetScout's 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, 2001 and incorporated herein by reference).
- (d)(2) NextPoint Networks, Inc. 2000 Stock Option Plan (filed as Exhibit 4.4 to NetScout's Registration Statement on Form S-8 (No. 333-41880) and incorporated by herein by reference).
- (d)(3) Form of Incentive Stock Option Agreement pursuant to NetScout's 1999 Stock Option and Incentive Plan, as amended (filed as Schedule B to Exhibit (a)(1)(A) filed herewith and incorporated herein by reference).
- (d)(4) Form of Non-Statutory Stock Option Agreement pursuant to NetScout's 1999 Stock Option and Incentive Plan, as amended (filed as Schedule C to Exhibit (a)(1)(A) filed herewith and incorporated herein by reference).
- (g) Not applicable.
- (h) Not applicable.

Item 13. Information Required by Schedule 13E-3.

Not applicable.

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SIGNATURE

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

NETSCOUT SYSTEMS, INC.

By: /s/ ANIL K. SINGHAL

Anil K. Singhal
President and Chief Executive Officer

Date: November 8, 2002

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EXHIBIT INDEX

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- (a)(5)(C) NetScout's Definitive Proxy Statement on Schedule 14A filed with the SEC on August 23, 2002 and incorporated herein by reference.
- (a)(5)(D) Stock Purchase and Redemption Agreement dated December 31, 1998 by and among NetScout, Greylock Equity Limited Partnership, certain affiliates of TA Associates, Inc. and Egan-Managed Capital, L.P. (filed with the SEC as Exhibit 10.4 to NetScout's Registration Statement on Form S-1 (No. 333-76843)) and incorporated herein by reference.
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- (g) Not applicable.
- (h) Not applicable.

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