

InfuSystem Holdings, Inc
Form SC 13G/A
February 13, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

SCHEDULE 13G

Under the Securities Exchange Act of 1934
(Amendment No. 2)*

InfuSystem Holdings, Inc.
(Name of Issuer)

Common stock, par value \$0.0001 per share
(Title of Class of Securities)

45685K102
(CUSIP Number)

December 31, 2016
(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

Rule 13d-1(b)

Rule 13d-1(c)

Rule 13d-1(d)

*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

CUSIP
45685K102
No.

1. NAME OF
REPORTING
PERSONS
I.R.S.
IDENTIFICATION
NOS. OF
ABOVE
PERSONS
(ENTITIES
ONLY)

Sansone
Advisors,
LLC

2. CHECK THE
APPROPRIATE
BOX IF A
MEMBER OF A
GROUP (SEE
INSTRUCTIONS)
(a)
(b)

3. SEC USE
ONLY

4. CITIZENSHIP
OR PLACE
OF
ORGANIZATION

Delaware

NUMBER OF
SHARES
BENEFICIALLY
OWNED BY EACH
REPORTING PERSON
WITH

5. SOLE
VOTING
POWER

0

SHARED

6. VOTING
POWER

1,483,548

SOLE

7. DISPOSITIVE
POWER

0

SHARED

8. DISPOSITIVE
POWER

1,483,548

AGGREGATE
AMOUNT

9. BENEFICIALLY
OWNED BY EACH
REPORTING
PERSON

1,483,548

CHECK
BOX IF
THE
AGGREGATE
AMOUNT

10. IN ROW (9)
EXCLUDES
CERTAIN
SHARES
(SEE
INSTRUCTIONS)

PERCENT
OF CLASS
REPRESENTED

11. BY
AMOUNT
IN ROW (9)

6.5%

TYPE OF
REPORTING
PERSON

12. (SEE
INSTRUCTIONS)

OO

CUSIP
45685K102
No.

1. NAME OF
REPORTING
PERSONS
I.R.S.
IDENTIFICATION
NOS. OF
ABOVE
PERSONS
(ENTITIES
ONLY)

Sansone
Capital
Management,
LLC

2. CHECK THE
APPROPRIATE
BOX IF A
MEMBER OF A
GROUP (SEE
INSTRUCTIONS)
(a)
(b)

3. SEC USE
ONLY

4. CITIZENSHIP
OR PLACE
OF
ORGANIZATION

Delaware

NUMBER OF
SHARES
BENEFICIALLY
OWNED BY EACH
REPORTING PERSON
WITH

5. SOLE
VOTING
POWER

0

SHARED

6. VOTING
POWER

1,483,548

SOLE

7. DISPOSITIVE
POWER

0

SHARED

8. DISPOSITIVE
POWER

1,483,548

AGGREGATE
AMOUNT

9. BENEFICIALLY
OWNED BY EACH
REPORTING
PERSON

1,483,548

CHECK
BOX IF
THE
AGGREGATE
AMOUNT

10. IN ROW (9)
EXCLUDES
CERTAIN
SHARES
(SEE
INSTRUCTIONS)

PERCENT
OF CLASS
REPRESENTED

11. BY
AMOUNT
IN ROW (9)

6.5%

TYPE OF
REPORTING
PERSON

12. (SEE
INSTRUCTIONS)

OO

CUSIP
45685K102
No.

1. NAME OF
REPORTING
PERSONS
I.R.S.
IDENTIFICATION
NOS. OF
ABOVE
PERSONS
(ENTITIES
ONLY)

Sansone
Partners, LP

2. CHECK THE
APPROPRIATE
BOX IF A
MEMBER OF A
GROUP (SEE
INSTRUCTIONS)
(a)
(b)

3. SEC USE
ONLY

4. CITIZENSHIP
OR PLACE
OF
ORGANIZATION

Delaware

NUMBER OF
SHARES
BENEFICIALLY
OWNED BY EACH
REPORTING PERSON
WITH

5. SOLE
VOTING
POWER

0

SHARED
6. VOTING
POWER

1,227,931

SOLE
7. DISPOSITIVE
POWER

0

SHARED
8. DISPOSITIVE
POWER

1,227,931

AGGREGATE
AMOUNT
9. BENEFICIALLY
OWNED BY EACH
REPORTING
PERSON

1,227,931

CHECK
BOX IF
THE
AGGREGATE
AMOUNT
10. IN ROW (9)
EXCLUDES
CERTAIN
SHARES
(SEE
INSTRUCTIONS)

PERCENT
OF CLASS
11. REPRESENTED
BY
AMOUNT
IN ROW (9)

5.4%

TYPE OF
REPORTING
PERSON
12.(SEE
INSTRUCTIONS)

PN

CUSIP
No. 45685K102

1. NAME OF REPORTING PERSONS
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

Christopher
Sansone

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)
(a)
(b)

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

United
States of
America

- NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH

5. SOLE VOTING POWER

0

SHARED

6. VOTING
POWER

1,483,548

SOLE

7. DISPOSITIVE
POWER

0

SHARED

8. DISPOSITIVE
POWER

1,483,548

AGGREGATE
AMOUNT

9. BENEFICIALLY
OWNED BY EACH
REPORTING
PERSON

1,483,548

CHECK
BOX IF
THE
AGGREGATE
AMOUNT

10. IN ROW (9)
EXCLUDES
CERTAIN
SHARES
(SEE
INSTRUCTIONS)

PERCENT
OF CLASS
REPRESENTED

11. BY
AMOUNT
IN ROW (9)

6.5%

TYPE OF
REPORTING
PERSON

12. (SEE
INSTRUCTIONS)

IN

CUSIP No. 45685K102

Item 1. (a). Name of Issuer:

InfuSystem Holdings, Inc.

(b). Address of issuer's principal executive offices:

31700 Research Park Drive
Madison Heights, Michigan 48071

Item 2. (a). Name of person filing:

Sansone Advisors, LLC
Sansone Capital Management, LLC
Sansone Partners, LP
Christopher Sansone

(b). Address or principal business office or, if none, residence:

Sansone Advisors, LLC
Sansone Capital Management, LLC
151 Bodman Place, Suite 100
Red Bank, New Jersey 07701

Sansone Partners, LP
c/o Sansone Capital Management, LLC
151 Bodman Place, Suite 100
Red Bank, New Jersey 07701

Christopher Sansone
c/o Sansone Advisors, LLC
151 Bodman Place, Suite 100
Red Bank, New Jersey 07701

(c). Citizenship:

Sansone
Advisors,
LLC –
Delaware
limited
liability
company
Sansone
Capital
Management,
LLC –
Delaware
limited

liability
company
Sansone
Partners, LP –
Delaware
limited
partnership
Christopher
Sansone –
United States
of America

(d). Title of class of securities:

Common stock, par value \$0.0001 per share

(e). CUSIP No.:

45685K102

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Item 3. If This Statement is filed pursuant to §§.240.13d-1(b) or 240.13d-2(b), or (c), check whether the person filing is a

- (a) Broker or dealer registered under section 15 of the Act (15 U.S.C. 78o).
- (b) Bank as defined in section 3(a)(6) of the Act (15 U.S.C. 78c).
- (c) Insurance company as defined in section 3(a)(19) of the Act (15 U.S.C. 78c).
- (d) Investment company registered under section 8 of the Investment Company Act of 1940 (15 U.S.C. 80a-8).
- (e) An investment adviser in accordance with § 240.13d-1(b)(1)(ii)(E);
- (f) An employee benefit plan or endowment fund in accordance with § 240.13d-1(b)(1)(ii)(F);
- (g) A parent holding company or control person in accordance with §240.13d-1(b)(1)(ii)(G);
- (h) A savings association as defined in Section 3(b) of the Federal Deposit Insurance Act (12 U.S.C.1813);
- (i) A church plan that is excluded from the definition of an investment company under section 3(c)(14) of the Investment Company Act of 1940 (15 U.S.C. 80a-3);
- (j) A non-U.S. institution in accordance with §240.13d-1(b)(1)(ii)(J);

Group, in accordance
with
§240.13d-1(b)(1)(ii)(K).
If filing as a non-U.S.

- (k) institution in accordance
with
§240.13d-1(b)(1)(ii)(J),
please specify the type of
institution:

Item
4. Ownership.

Provide the following information regarding the aggregate number and percentage of the class of securities of the issuer identified in Item 1.

(a) Amount beneficially owned:

Sansone Advisors, LLC – 1,483,548 shares
Sansone Capital Management, LLC – 1,483,548 shares
Sansone Partners, LP - 1,227,931 shares
Christopher Sansone – 1,483,548 shares

(b) Percent of class:

Sansone Advisors, LLC – 6.5%

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Sansone Capital Management, LLC – 6.5%

Sansone Partners, LP – 5.4%

Christopher Sansone – 6.5%

(c) Number of shares as to which Sansone Advisors, LLC has:

- (i) Sole power to vote or to direct the vote 0 ,
- (ii) Shared power to vote or to direct the vote 1,483,548,
- (iii) Sole power to dispose or to direct the disposition of 0 ,
- (iv) Shared power to dispose or to direct the disposition of 1,483,548.

Number of shares as to which Sansone Capital Management, LLC has:

- (i) Sole power to vote or to direct the vote 0 ,
- (ii) Shared power to vote or to direct the vote 1,483,548,
- (iii) Sole power to dispose or to direct the disposition of 0 ,
- (iv) Shared power to dispose or to direct the disposition of 1,483,548.

Number of shares as to which Sansone Partners, LP has:

- (i) Sole power to vote or to direct the vote 0 ,
- (ii) Shared power to vote or to direct the vote 1,227,931,
- (iii) Sole power to dispose or to direct the disposition of 0 ,
- (iv) Shared power to dispose or to direct the disposition of 1,227,931.

Number of shares as to which Christopher Sansone has:

- (i) Sole power to vote or to direct the vote 0 ,
- (ii) Shared power to vote or to direct the vote 1,483,548,
- (iii) Sole power to dispose or to direct the disposition of 0 ,
- (iv) Shared power to dispose or to direct the disposition of 1,483,548.

Item 5. Ownership of Five Percent or Less of a Class.

If this statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than five percent of the class of securities, check the following .

N/A

Item 6. Ownership of More Than Five Percent on Behalf of Another Person.

If any other person is known to have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, such securities, a statement to that effect should be included in response to this item and, if such interest relates to more than 5 percent of the class, such person should be identified. A listing of the shareholders of an investment company registered under the Investment Company Act of 1940 or the beneficiaries of employee benefit plan, pension fund or endowment fund is not required.

All of the securities reported in this Schedule 13G are owned by advisory clients of Sansone Advisors, LLC. With the exception of Sansone Partners, LP, no advisory client of Sansone Advisors, LLC directly owns more than 5% of the outstanding shares.

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on by the Parent Holding Company or Control Person.

If a parent holding company or control person has filed this schedule, pursuant to Rule 13d-1(b)(1)(ii)(G), so indicate under Item 3(g) and attach an exhibit stating the identity and the Item 3 classification of the relevant subsidiary. If a parent holding company or control person has filed this schedule pursuant to Rule 13d-1(c) or Rule 13d-1(d), attach an exhibit stating the identification of the relevant subsidiary.

N/A

Item 8. Identification and Classification of Members of the Group.

If a group has filed this schedule pursuant to §240.13d-1(b)(1)(ii)(J), so indicate under Item 3(j) and attach an exhibit stating the identity and Item 3 classification of each member of the group. If a group has filed this schedule pursuant to Rule 13d-1(c) or Rule 13d-1(d), attach an exhibit stating the identity of each member of the group.

N/A

Item 9. Notice of Dissolution of Group.

Notice of dissolution of a group may be furnished as an exhibit stating the date of the dissolution and that all further filings with respect to transactions in the security reported on will be filed, if required, by members of the group, in their individual capacity. See Item 5.

N/A

Item 10. Certification.

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

SIGNATURE

After reasonable 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.

Dated: February 13, 2017 Sansone Advisors, LLC

By: /s/ Christopher Sansone
 Name: Christopher Sansone
 Title: Managing Member

	\$ 900,000	\$ 97,759 (4)	470,000		\$ 237,957 (5)				
Chief Executive Officer			2001	\$ 714,922 (6)	\$ 540,000	\$ 1,971,000 (7)	1,600,000	\$ 696,428	
Gene Hodges	52		2003	\$ 412,500	\$ 345,469		150,000	\$ 5,242	
President			2002	\$ 375,000	\$ 445,312				
			2001	\$ 290,000	\$ 108,596		600,000	\$ 1,242	
Stephen Richards	50		2003	\$ 387,500	\$ 402,344		150,000	\$ 5,242	
Operating Officer			2002	\$ 349,999	\$ 455,000		100,000	\$ 810	
and Chief Financial Officer			2001	\$ 259,807 (11)	\$ 175,000	299,500 (12)	650,000	\$ 608	
Arthur Matin	47		2003	\$ 400,000	\$ 311,750		35,000	\$ 810	
Former President, McAfee			2002	\$ 400,000	\$ 249,062		150,000	\$ 500,810	
Security			2001	\$ 53,077 (14)		\$ 1,894,000 (15)	600,000	\$ 68	
Raymond Smets	40		2003	\$ 350,000	\$ 177,688			\$ 540	
President, Sniffer Technologies			2002	\$ 63,717 (16)	\$ 112,500		250,000	\$ 81	

-
- (1) Salary includes amounts deferred under our 401(k) Plan.
 - (2) Bonus amounts for 2003 include amounts paid in January 2004 but earned in 2003.
 - (3) Includes group term life insurance coverage of \$810, supplemental company paid life insurance of \$26,787 and \$4,000 of 401(k) contributions made by us.
 - (4) Includes \$81,540 which represents the difference between the market price of our common stock and the exercise price on Mr. Samenuk's 3,000 share option on January 15, 2002, the date of exercise, multiplied by the number of shares exercised, and \$16,219 which represents the incremental costs associated with Mr. Samenuk's personal use of a corporate aircraft in which the Company owns a fractional interest, net of the voluntary reimbursement by Mr. Samenuk to the Company based on applicable IRS regulations for such travel.
 - (5) Includes the payment of \$200,000 of Mr. Samenuk's \$800,000 sign-on bonus awarded in 2001. Also includes relocation expenses of \$5,545, group term life insurance coverage of \$810, supplemental company paid life insurance of \$27,602 and \$4,000 of 401(k) contributions made by us.

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- (6) Mr. Samenuk joined us on January 3, 2001. Mr. Samenuk's 2001 earnings reflect an annual salary of \$720,000.
- (7) Represents the difference between the market price of our common stock and the exercise price of Mr. Samenuk's 400,000 share option on January 3, 2001, the date of exercise, multiplied by the shares exercised.
- (8) Includes the payment of \$600,000 of Mr. Samenuk's \$800,000 sign-on bonus with the balance paid in 2002. Also includes relocation benefits of \$95,618 and group term life insurance coverage of \$810.
- (9) Includes group term life insurance coverage of \$1,242 and \$4,000 of 401(k) contributions made by us.
- (10) Includes group term life insurance coverage.
- (11) Mr. Richards joined us on April 4, 2001. Mr. Richards' 2001 earnings reflect an annual base salary of \$350,000.

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- (12) Represents the difference between the market price of our common stock and the exercise price of Mr. Richards' 50,000 share option on April 4, 2001, the date of exercise, multiplied by the shares exercised.
- (13) Includes payment of Mr. Matin's \$500,000 sign-on bonus in 2002, and also includes group term life insurance coverage of \$810.
- (14) Mr. Matin joined us on October 30, 2001. Mr. Matin's 2001 earnings reflect an annual base salary of \$400,000.
- (15) Represents the difference between the market price of our common stock and the exercise price of Mr. Matin's 100,000 share option on October 30, 2001, the date of exercise, multiplied by the shares exercised.
- (16) Mr. Smets joined us on October 28, 2002. Mr. Smets' 2002 earnings reflect an annual base salary of \$350,000.

Executive Officers

Information pertaining to Mr. Samenuk, who is both a director and one of our executive officers, may be found in the section entitled Board of Directors.

Gene Hodges (age 52) has served as our president since October 2001. Mr. Hodges served as president of the McAfee product group from January 2000 to October 2001, and from August 1998 to January 2000, he served as vice president of security marketing. Mr. Hodges joined Network Associates in 1995 and served in numerous other management positions with the Company. Prior to joining Network Associates, Mr. Hodges was vice president of Marketing for a wireless data startup and managed the Office Information Systems business unit for Digital Equipment Corporation.

Stephen Richards (age 50) has served as our executive vice president and chief financial officer since April 2001. In November 2001, Mr. Richards was also named chief operating officer. From April 1996 to August 2000, Mr. Richards served in several senior level executive positions with E*Trade Group, Inc., including chief financial officer. From October 1984 to March 1996, Mr. Richards served as managing director and chief financial officer of the Correspondent Clearing Division of Bear Stearns. He has also held management positions with A.G. Becker Paribas, Jefferies Group, Inc. and Coopers & Lybrand LLP. Mr. Richards is a director of TradeStation Group and serves on the Board of Governors of the Pacific Stock Exchange.

Arthur Matin (age 47) resigned from the company in March 2004. From October 2001 to March 2004, Mr. Matin was president of our McAfee Security group. From May 2000 to October 2001, Mr. Matin was senior vice president of worldwide sales and marketing at CrossWorlds Software Inc. From January 2000 to May 2000, Mr. Matin served as senior vice president of worldwide sales for CrossWorlds. From January 1999 to January 2000, Mr. Matin served as vice president of the industrial sector at IBM. From 1980 to 1999, Mr. Matin held various other management positions at IBM, including general manager, Industries, Asia Pacific, general manager, Product Management, Asia Pacific and vice president of Sales, Manufacturing Industry.

Raymond Smets (age 40) has served as president of our Sniffer Technologies group since October 2002. From January 2001 to October 2002, Mr. Smets served as vice president of network transformation and a corporate officer at BellSouth Corporation. From January 1998 to December 2000 Mr. Smets served as president of BellSouth Corporation's Internet business unit BellSouth.net. From 1986 to December 1997 Mr. Smets held various other management positions at BellSouth Corporation and its subsidiaries, including severing as president of BellSouth Applied Technologies.

Kevin Weiss (age 47) has served as our executive vice president of worldwide sales since July 2003. Mr. Weiss served as president of our EMEA region from October 2002 to July 2003. From September 2001 to October 2002 Mr. Weiss served as a senior vice president at Ariba Inc. From October 2000 to August 2001 Mr. Weiss served as a senior vice president at BindView Corporation. From June 1995 to September 2000

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Mr. Weiss served as a senior vice president at BMC Software. Mr. Weiss was designated an executive officer in January 2004.

Kent Roberts (age 47) has served as one of our executive vice presidents since July 2001 and as general counsel and secretary since January 2001. Mr. Roberts served as vice president of legal affairs from February 2000 to July 2001. From May 1998 to February 2000, Mr. Roberts served as director of legal affairs for the Company. Prior to May 1998 Mr. Roberts practiced law in Dallas, Texas representing among other clients McAfee Associates, Inc., the predecessor of Network Associates.

Our executive officers serve at the discretion of the board of directors. There are no family relationships among any of our directors and executive officers.

This table shows stock option grants made by Network Associates to our chief executive officer and our four other most highly compensated executive officers during the year ended December 31, 2003:

OPTION GRANTS IN 2003

Name	Individual Grants			Market Price on Date of Grant (\$/SH)	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Appreciation for Option Terms(3)	
	Number of Securities Underlying Options Granted (#)(1)	% of Total Options Granted to Employees in Fiscal Year	Exercise Price (\$/SH)(2)			5%	10%
George Samenuk	400,000	%	18.20	18.20	1/21/13	\$ 4,578,353	\$ 11,602,445
Gene Hodges	150,000	%	18.20	18.20	1/21/13	\$ 1,716,882	\$ 4,350,917
Stephen Richards	150,000	%	18.20	18.20	1/21/13	\$ 1,716,882	\$ 4,350,917
Arthur Matin	35,000	%	14.85	14.85	3/3/13	\$ 326,868	\$ 828,348
Ray Smets						\$	\$

* Less than 1%

- (1) All of the options for Network Associates common stock granted in 2003 vest at the rate of one-fourth (or 25%) one year from the date of grant and the remaining shares vest at a rate of 1/36th per month for the remaining 36 months of the vesting period. Under the 1997 Stock Incentive Plan, the board of directors is allowed to modify the terms of outstanding options. The exercisability of options may be accelerated upon a change in control. Options are cancelled on an optionee's termination of employment under certain specified circumstances.
- (2) All options were granted at an exercise price equal to the fair market value of the common stock on the date of grant.
- (3) These columns present hypothetical future values that might be realized on exercise of the options, less the exercise price. These values assume that the market price of our stock appreciates at a five and ten percent compound annual rate over the term of the options. The stock price appreciation rates are presented as examples pursuant to the SEC's proxy rules and do not necessarily reflect management's assessment of our future stock price performance. The potential realizable values presented are not intended to indicate the value of the options.

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The following table shows stock option exercises and the value of unexercised stock options held by our chief executive officer and our four other most highly compensated executive officers during the year ended December 31, 2003:

AGGREGATE OPTION EXERCISES IN 2003**AND YEAR-END OPTION VALUES**

Name	Shares Acquired on Exercise	Value Realized(2)	Number of Securities Underlying Unexercised Options at 12/31/03		Value of Unexercised In-The-Money Options at 12/31/03(1)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
George Samenuk(3)		\$	900,000	867,000	\$9,090,000	\$706,410
Gene Hodges		\$	394,861	368,750	\$1,682,252	\$881,563
Stephen Richards(4)	50,000	\$704,500	597,916	202,084	\$4,972,000	\$
Arthur Matin(5)		\$	543,750	141,250	\$288,313	\$706,838
Raymond Smets		\$	72,916	177,084	\$11,667	\$28,333

- (1) Calculated by taking the closing market price on December 31, 2003, of \$15.04, less the exercise price, multiplied by the number of options exercisable or unexercisable. The amounts in these columns may not represent amounts actually realized by these executive officers.
- (2) Calculated by taking the market price on the date of exercise, less the exercise price, multiplied by the number of options exercised.
- (3) Mr. Samenuk holds 900,000 options that are immediately exercisable. 25% of these shares vested on January 3, 2002, the first anniversary of Mr. Samenuk's employment commencement, and the remaining shares vest at a rate of 1/36th per month for the remaining 36 months of the vesting period. If Mr. Samenuk exercises these stock options with respect to the unvested shares, we have repurchase rights with respect to those unvested shares.
- (4) Mr. Richards holds 550,000 options that are immediately exercisable. 25% of the shares vested on April 4, 2002, the first anniversary of Mr. Richards' employment commencement and the remaining shares vest at a rate of 1/36th per month for the remaining 36 months of the vesting period. If Mr. Richards exercises these stock options with respect to the unvested shares, we have repurchase rights with respect to those unvested shares.
- (5) Mr. Matin held 500,000 options that were immediately exercisable prior to his resignation from the Company. 25% of these shares vested on October 30, 2002, the first anniversary of Mr. Matin's employment commencement and the remaining shares vested at a rate of 1/36th per month for the remaining 36 months of the vesting period. Mr. Matin's options ceased vesting in March 2004 when he resigned from the Company.

Employment and Change in Control Arrangements

George Samenuk entered into an agreement with us dated January 2, 2001 which was amended and restated on October 9, 2001 and further amended on January 20, 2004, which provides for his at will employment as our chief executive officer. This agreement also provides that if Mr. Samenuk is terminated other than for cause or resigns for good reason, he will be entitled to the following severance benefits: (i) all of Mr. Samenuk's shares of restricted stock, if any, and all stock options will become fully vested and, if applicable, any repurchase rights on his shares will lapse, (ii) 24 months of severance payments based on twice Mr. Samenuk's base salary and targeted bonus, (iii) any unpaid amount of Mr. Samenuk's sign-on bonus, and (iv) continued health and other welfare and fringe benefits through the earlier of (x) 18 months from termination or (y) until Mr. Samenuk is covered by similar plans by a new employer. If Mr. Samenuk is terminated other than for cause, or resigns with good reason after (i) the occurrence of a transaction where our stockholders do not own at least 50% of the stock of the surviving corporation; (ii) there has been a change in our directors occurring within a two year period as a result of which fewer than a majority of our directors

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(x) were directors as of the date of the agreement or (y) were elected, or nominated for election, to the board by a vote of at least a majority of the incumbent directors at the time of such election or nomination; (iii) the acquisition of more than 50% of our stock by another party or (iv) the sale of substantially all of our assets, Mr. Samenuk will be entitled to all of the severance benefits noted above, all of his stock options will become fully vested and any repurchase rights on his shares of restricted stock will lapse. Under this agreement, we will indemnify Mr. Samenuk for any parachute tax payments that arise pursuant to the agreement.

Gene Hodges entered into an agreement with us dated December 3, 2001, which provides for his at will employment as our president. This agreement provides that if Mr. Hodges is terminated for any reason, he shall be entitled to a pro rata targeted bonus if the relevant goals for the quarter are met, in addition to his accrued salary and vacation pay. If Mr. Hodges is terminated other than for cause or resigns for good reason, he will be entitled to the following severance benefits: (i) twelve months of severance payments based on Mr. Hodges' base salary and one-third of his targeted bonus, (ii) continued health and other welfare and fringe benefits through the earlier of (x) twelve months from termination or (y) until Mr. Hodges is covered by similar plans by a new employer and (iii) all of Mr. Hodges' shares of restricted stock, if any, and all stock options will become fully vested and, if applicable, any repurchase rights on his shares of restricted stock will lapse. After (i) the occurrence of a transaction where our stockholders do not own at least 50% of the stock of the surviving corporation; (ii) there has been a change in our directors occurring within a two year period as a result of which fewer than a majority of our directors (x) were directors as of the date of the agreement or (y) were elected, or nominated for election, to the board by a vote of at least a majority of the incumbent directors at the time of such election or nomination; (iii) the acquisition of more than 50% of our stock by another party, or (iv) the sale of substantially all of our assets, all of Mr. Hodges' shares of restricted stock, if any, and all stock options held by him will become fully vested and, if applicable, any repurchase rights on his shares of restricted stock will lapse. Under this agreement, we will indemnify Mr. Hodges for any parachute tax payments that arise pursuant to the agreement.

Stephen Richards entered into an agreement with us dated April 4, 2001 which was amended on January 20, 2004, which provides for his at will employment as our chief financial officer. The agreement also provides that if Mr. Richards is actually or constructively terminated other than for cause he will be entitled to severance benefits equal to twelve months of base salary and targeted bonus, plus all of Mr. Richards' shares of restricted stock, if any, and all stock options will become fully vested and, if applicable, any repurchase rights on his shares will lapse. If Mr. Richards is actually or constructively terminated other than for cause, after (i) the occurrence of a transaction where our stockholders do not own at least 50% of the stock of the surviving corporation; (ii) there has been a change in our directors occurring within a two year period as a result of which fewer than a majority of our directors (x) were directors as of the date of the agreement or (y) were elected, or nominated for election, to the board by a vote of at least a majority of the incumbent directors at the time of such election or nomination; (iii) the acquisition of more than 50% of our stock by another party or (iv) the sale of substantially all of our assets, Mr. Richards will be entitled to the severance noted above, all of his stock options will become fully vested, and he will be provided with continued health care coverage through the earlier of twelve months from termination or until he is covered by similar plans by a new employer. Under this agreement, we will indemnify Mr. Richards for any parachute tax payments that arise pursuant to the agreement.

Arthur Matin entered into an agreement with us dated October 30, 2001, which provides for his at will employment as the president of our McAfee product group. This agreement also provides that if Mr. Matin is terminated other than for cause or resigns for good reason, he will be entitled to the following severance benefits: (i) twelve months of additional vesting for stock options, (ii) twelve months of severance payments based on Mr. Matin's base salary and targeted bonus and (iii) continued health and other welfare and fringe benefits through the earlier of (x) twelve months from termination or (y) until Mr. Matin is covered by similar plans by a new employer. If Mr. Matin is terminated other than for cause, or resigns with good reason after (i) the occurrence of a transaction where our stockholders do not own at least 50% of the stock of the surviving corporation; (ii) there has been a change in our directors occurring within a two year period as a result of which fewer than a majority of our directors (x) were directors as of the date of the agreement or (y) were elected, or nominated for election, to the board by a vote of at least a majority of the incumbent

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directors at the time of such election or nomination; (iii) the acquisition of more than 50% of our stock by another party or (iv) the sale of substantially all of our assets, Mr. Matin will be entitled to all of the severance benefits noted above and all of his stock options will become fully vested.

Raymond Smets entered into an agreement with us dated October 7, 2002, which provides for his at will employment as the president of our Sniffer Technologies group. This agreement also provides that if Mr. Smets is terminated other than for cause or resigns for good reason, he will be entitled to the following severance benefits: (i) six months of severance payments based on Mr. Smets' base salary and one-third of his targeted bonus, and (ii) continued health and other welfare and fringe benefits through the earlier of (x) six months from termination or (y) until Mr. Smets is covered by similar plans by a new employer. After (i) the occurrence of a transaction where our stockholders do not own at least 50% of the stock of the surviving corporation; (ii) there has been a change in our directors occurring within a two year period as a result of which fewer than a majority of our directors (x) were directors as of the date of the agreement or (y) were elected, or nominated for election, to the board by a vote of at least a majority of the incumbent directors at the time of such election or nomination; (iii) the acquisition of more than 50% of our stock by another party or (iv) the sale of substantially all of our assets, all of Mr. Smets' shares of restricted stock, if any, and all stock options held by him will become fully vested and if applicable, any repurchase rights on his shares will lapse. Under this agreement, we will indemnify Mr. Smets for any parachute tax payments that arise pursuant to the agreement.

Indebtedness of Management

Under the terms of Mr. Samenuk's employment agreement, we agreed to loan Mr. Samenuk the funds necessary to pay the taxes due on each vesting date for the 400,000 shares of stock subject to vesting granted to Mr. Samenuk on January 3, 2001. We also agreed to loan Mr. Samenuk the funds necessary to pay the taxes due on the 3,000 shares of stock granted to Mr. Samenuk on January 15, 2002. In accordance with the provisions of the Sarbanes-Oxley Act of 2002, no additional loans were made to Mr. Samenuk after July 30, 2002. In 2001 and 2002 we extended a total of 5 separate loans to Mr. Samenuk in an aggregate amount of \$1,079,028. Each loan had a two-year maturity and bore interest at the applicable federal rate. The loans were full recourse and secured by Mr. Samenuk's 400,000 shares of stock subject to vesting and 3,000 shares of stock. The last remaining loan was fully repaid in October 2003.

Certain Transactions

During 2003, Ms. Amanda Hodges, the wife of our president, Gene Hodges, was employed by us as senior director of North American human resources. Ms. Hodges was paid an aggregate salary of \$157,500 and a discretionary bonus of \$38,686 for her services during the year. During 2003, Ms. Hodges also received option grants totaling 4,000 shares.

Officers and Directors Insurance

We maintain an insurance policy covering officers and directors to cover any claims made against them for wrongful acts that they may otherwise be required to pay or for which we are required to indemnify them, subject to certain exclusions.

Table of Contents**Equity Compensation Plans**

Set forth below are the number of options, the weighted average per share exercise price of such options and the number of shares remaining available for issuance under all of our equity compensation plans as of December 31, 2003.

Plan category	Number of securities to be issued upon exercise of outstanding options	Weighted-average exercise price of outstanding options	Number of securities remaining available for future issuance (excluding securities reflected in first column)
Plans approved by stockholders	19,827,127	\$ 15.55	6,341,625
Plans not approved by stockholders	9,421,066	\$ 14.86	0

Set forth below are descriptions of our equity compensation plans that have not been approved by stockholders.

2000 Nonstatutory Stock Option Plan

In January 2000, the board of directors approved the 2000 Nonstatutory Stock Option Plan (the 2000 Plan). The 2000 Plan provides for the grant of nonqualified stock options to employees, consultants and in certain cases, officers and directors. The plan administrator determines the exercise price of options granted under the 2000 Plan and when such options may be exercised. The 2000 Plan provides that vested options may be exercised for 3 months after termination of employment other than due to death or disability and for 1 year after termination of employment as a result of death or disability. The 2000 Plan permits options to be exercised with cash, check, certain other shares of our common stock, promissory notes, cancellation of indebtedness, waiver of compensation due or consideration received by us under cashless exercise programs. In the event that we merge with or into another corporation, or sell substantially all of our assets, the 2000 Plan provides that each outstanding option will fully vest and become exercisable unless provision is made for options to be assumed or substituted for by the successor corporation. There are 11,500,000 shares of common stock reserved under the 2000 Plan. As of December 31, 2003, no shares remained available for future issuance under the 2000 Plan.

1999 Nonstatutory Stock Plan

In May 1999, the board of directors approved the 1999 Nonstatutory Stock Plan (the 1999 Plan). The 1999 Plan provides for the grant of nonqualified stock options to employees, officers, directors and consultants at exercises prices determined by the plan administrator. The plan administrator determines the exercise price of options granted under the 1999 Plan and when such options may be exercised. The 1999 Plan permits options to be exercised with cash, check, certain other shares of our common stock, promissory notes, cancellation of indebtedness, waiver of compensation due or consideration received by us under cashless exercise programs. In the event that we merge with or into another corporation, or sell substantially all of our assets, the 1999 Plan provides that each outstanding option will fully vest and become exercisable unless provision is made for options to be assumed or substituted for by the successor corporation. There are 1,000,000 shares of common stock reserved under the 1999 Plan. As of December 31, 2003, no shares remained available for future issuance under the 1999 Plan.

1997 Non-Officer Stock Plan

In January 1997, the board of directors approved the 1997 Non-Officer Stock Plan (the 1997 Non-Officer Plan). The 1997 Non-Officer Plan provides for the grant of nonqualified nonstatutory stock options to employees and consultants who are not officers of the Company at exercise prices determined by the committee administering the plan, but in no event less than 85% of the fair market value of the common stock on the date of the grants. Each stock option agreement entered into under the 1997 Non-Officer Plan shall specify the exercise price, the date on which all or any installment of the option is to become exercisable and

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the term of the option. The 1997 Non-Officer Plan permits options to be exercised with cash or cash equivalents, certain other shares of common stock, promissory notes (provided, however, that the par value of the shares being purchased shall be paid in cash) and waiver of compensation due or consideration received by us under cashless exercise programs. In the event that we merge with or into another corporation, or sell substantially all of our assets, the 1997 Non-Officer Plan provides that the committee administering the plan may determine, at the time of granting an option or thereafter, that all or part of such option shall fully vest and become exercisable. There are 2,000,000 shares of common stock reserved under the 1997 Non-Officer Plan and there are no shares available for issuance under this plan.

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OTHER INFORMATION

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

A copy of our 2003 Annual Report on Form 10-K may be obtained without charge by calling or writing the Corporate Secretary at our corporate headquarters.

By order of the Board of Directors,
-s- Kent H. Roberts

Kent H. Roberts
Secretary

April 9, 2004

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APPENDIX A

SUMMARY OF THE 1997 STOCK INCENTIVE PLAN

The key provisions of the Incentive Plan are summarized below. This summary, however, is not intended to be a complete description of all terms of the Incentive Plan. A copy of the plan text will be furnished to any stockholder upon request. Such a request should be directed to the Corporate Secretary at the company's principal executive office at 3965 Freedom Circle, Santa Clara, CA 95054.

Administration and Eligibility. The Compensation Committee administers the Incentive Plan. Employees, non-employee directors and consultants of the company are eligible to participate in the Incentive Plan, although incentive stock options may be granted only to employees. As of March 31, 2004, approximately 3,329 employees and consultants would have been eligible to participate in the Incentive Plan.

Form of Awards. Awards under the Incentive Plan may take the form of options to acquire common stock of the company, stock appreciation rights (SARs), restricted shares or stock units, or any combination of these. No payment is required upon the grant of an award, except for the payment of the par value of any Restricted Stock awarded.

Options may include nonstatutory stock options (NSOs) as well as incentive stock options (ISOs) intended to qualify for special tax treatment. The term of an option cannot exceed 10 years. The exercise price of an ISO must be equal to or greater than the fair market value of the common stock on the date of grant, while the exercise price of an NSO must be equal to or greater than 85% of fair market value. As of March 31, 2004, the closing price of the company's common stock on the New York Stock Exchange was \$18.00 per share.

The exercise price of an option may be paid in any legal form permitted by the Compensation Committee, including:

a full-recourse promissory note (except as would be prohibited by the Sarbanes-Oxley Act of 2002);

the surrender of shares of common stock; or

the surrender of restricted shares already owned by the optionee.

The Compensation Committee may also permit optionees to pay off their withholding tax obligation upon exercise of an NSO by surrendering a portion of their option shares to the company. The Incentive Plan also allows the optionee to pay the exercise price of an option through a cashless exercise in a broker assisted transaction.

At any point in time, the Compensation Committee may offer to buy out an outstanding option for cash or give an optionee the right to give up their option for cash.

A SAR permits the participant to elect to receive any appreciation in the value of the underlying stock from the company. This appreciation may be in shares of common stock, cash or a combination of the two, with the Compensation Committee having the discretion to determine the form in which such payment is made. The amount payable on exercise of an SAR is measured by the difference between the market value of the underlying stock at exercise and the exercise price. All SARs intended to be exempt from the section 162(m) limit will be granted with an exercise price equal to or greater than 100% of the fair market value of the common stock on the date of grant. SARs may, but need not, be granted in conjunction with options. Upon exercise of an SAR granted in tandem with an option, the corresponding portion of the related option must be surrendered and cannot thereafter be exercised. Conversely, upon exercise of an option to which an SAR is attached, the SAR may no longer be exercised to the extent that the corresponding option has been exercised.

Restricted shares are shares of common stock that are subject to forfeiture in the event that the applicable vesting conditions are not satisfied. Restricted shares have the same voting and dividend rights as other shares of common stock. The recipient of restricted shares may pay all projected withholding taxes relating to the award with shares of common stock rather than cash.

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A stock unit is an unfunded bookkeeping entry representing the equivalent of one share of common stock. A holder of stock units has no voting rights or other privileges as a stockholder but may be entitled to receive dividend equivalents equal to the amount of dividends paid on the same number of shares of common stock. Dividend equivalents may be converted into additional stock units or settled in the form of cash, common stock or a combination of both. Stock units, when vested, may be settled by distributing shares of common stock or by a cash payment corresponding to the fair market value of an equivalent number of shares of common stock, or a combination of both. Vested stock units are settled at the time determined by the Compensation Committee. If the time of settlement is deferred, interest or additional dividend equivalents may be credited on the deferred payment. The recipient of stock units may pay all withholding taxes relating to the settlement of the award with common stock rather than cash.

Vesting Conditions. The Compensation Committee determines the vesting and other conditions. The vesting conditions may be based on:

the length of the recipient's service;

his or her individual performance;

the company's performance; and

other appropriate criteria.

In the case of restricted shares and stock units, vesting is based on the company's performance.

Where company performance is used as a vesting or issuance condition, performance goals are based on business criteria specified by the Compensation Committee, selected from one or more of the following:

cash flow,
earnings per share,
gross margin,
net income,
operating income,
operating margin,
pre-tax profit,
return on assets,

return on capital,
return on stockholder equity,
growth with respect to any of the foregoing measures,
expense reduction,
growth in bookings,
growth in revenue, and
stock price increase.

Vesting may be accelerated in the event of the recipient's death, disability or retirement or in the event of a transfer of control with respect to the company. Transfer of control is defined in the Incentive Plan as:

the direct or indirect sale or exchange by the stockholders of the company of all or substantially all of the voting stock of the company;

a merger in which the company is a party; or

the sale, exchange or transfer of all or substantially all of the assets of the company.

A transfer of control will also occur in the event of a liquidation or dissolution of the company.

Deferral of Awards. The Compensation Committee may permit or require the recipient of an award to:

have cash that otherwise would be paid to him or her, as a result of the exercise of an SAR or the settlement of stock units, credited to a deferred compensation account established for him or her as an entry on the company's books;

to have shares of common stock that otherwise would be delivered to him or her as a result of the exercise of an option or SAR converted into an equal number of stock units; or

to have shares that otherwise would be delivered to him or her as a result of the exercise of an option or SAR or the settlement of stock units converted into an amount credited to a deferred compensation account established for him or her on the company's books.

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The amount to be credited is measured by reference to the fair market value of common stock as of the date when shares otherwise would have been delivered to the award recipient. A deferred compensation account established under this provision may be credited with interest or other forms of investment return, as determined by the Compensation Committee.

Number of Reserved Shares and Maximum Awards. The total number of shares of the company's common stock that may be issued under the Incentive Plan, subject to shareholder approval, is 34.48 million. Under the terms of the Incentive Plan, if:

any options, SARs, restricted shares or stock units are forfeited;

if options or SARs terminate for any other reason prior to exercise;

if options currently outstanding under the Predecessor Plan are forfeited or otherwise terminate unexercised; or

if stock units are settled,

then only the number of shares (if any) actually issued in settlement of such stock units reduces the number of shares available under the Incentive Plan and the balance again becomes available for awards under the Plan. If SARs are exercised, then only the number of shares (if any) actually issued in settlement of such SARs reduces the number available and the balance again becomes available for awards. No individual may receive options or SARs covering more than one million shares in any calendar year (subject to anti-dilution adjustments), except that the limit is 1.5 million shares for a new employee in the year in which he or she is hired. In the case of an award that is subject to performance vesting conditions, no individual may receive more than 300,000 restricted shares or stock units in any calendar year (subject to anti-dilution adjustments).

New Plan Benefits. Awards under the Incentive Plan are discretionary. Therefore, it is not possible to determine the benefits that will be received in the future by participants in the Incentive Plan.

The following table summarizes the option grants that were made to each of the executive officers listed in the Summary Compensation Table, as well as the groups indicated below, under the Incentive Plan during the fiscal year ended December 31, 2003:

	Number of Shares Granted
George Samenuk	400,000
Gene Hodges	150,000
Stephen Richards	150,000
Arthur Matin	35,000
Raymond Smets	0
Executive Offices as a Group	810,000
Non-Employee Directors as a Group	0
Non-Executive Officer Employees as a Group	4,913,167

FEDERAL TAX CONSEQUENCES

The federal income tax consequences of awards under the Incentive Plan are summarized as follows:

Options

The award of stock options will have no federal income tax consequences to the company or the optionee at the time of the option grant.

For ISOs the exercise will not result in any regular taxable income to the optionee at the time and neither will the company be entitled to any deduction, however, at the time of exercise, the excess of the fair market value over the exercise price is an adjustment for purposes of computing alternative minimum taxable income.

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If the optionee holds the shares for the required statutory period, the difference between the sale price and the exercise price generally will be taxed as a capital gain or loss. If the optionee holds the shares for less than the statutory period, the optionee will generally recognize ordinary income at the time of the sale equal to the excess of the fair market value of the shares at exercise (or if less, the sales proceeds) over the exercise price and the company will generally be entitled to a deduction for the same amount. Any additional gain on the disposition will generally be taxed as a capital gain.

For NSOs the optionee will generally recognize taxable income equal to the excess of the fair market value at the time of exercise over the exercise price. This taxable income will be subject to withholding tax. Also the company can take a deduction equal to the ordinary income recognized by the optionee. Upon any subsequent disposition of the shares, the difference between the sale price and the exercise price will generally be taxed as capital gain or loss.

Restricted Shares

For restricted shares, unless the purchaser elects to be taxed at the time of issuance, these shares will generally be taxed in the same way as NSOs. However, due to the company's right to repurchase the shares when the purchaser stops providing services to the company, the holder does not recognize ordinary income at the time of the sale, but at the time at which the company's right to repurchase the shares stops. Ordinary income is measured as the difference between the purchase price and the fair market value of the shares on the date that the company's right to repurchase the shares stops.

Stock Appreciation Rights

For SARs, no income is recognized at the time of the grant. When the right is exercised, the recipient will recognize taxable income equal to the amount of the cash received and the fair market value of any common stock received. For a recipient who is also an employee, the income recognized will be subject to withholding and the company will be able to take a deduction equal to the same amount of that income. For common stock received upon exercise of an SAR, the subsequent sale will be treated in the same way as the gain or loss on an NSO.

Stock Units

The grant of a stock unit award results in no federal income tax consequences for the participant or the company. The payment of a stock unit award results in taxable income to the participant equal to the amount of the payment received. The value is based on the fair market value of the common stock on the date of the payment. The company will be able to take a deduction equal to the same amount.

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APPENDIX B

Amended January 20, 2004

CHARTER FOR THE AUDIT COMMITTEE

**OF THE BOARD OF DIRECTORS
OF
NETWORKS ASSOCIATES, INC**

Statement Purpose

The Audit Committee of the Board of Directors of Networks Associates, Inc. (the "Company") shall provide assistance to the Board of Directors relating to corporate accounting, and reporting practices of the Company. Specifically, the Audit Committee will assist with the oversight of (i) the quality and integrity of the Company's financial statements, (ii) the Company's compliance with legal and regulatory requirements, (iii) the independent auditor's qualifications and independence and (iv) the performance of the Company's internal audit function and independent auditors. The Audit Committee shall also prepare a report for inclusion in the Company's annual proxy statement in accordance with applicable Securities and Exchange Commission ("SEC") and New York Stock Exchange ("NYSE") regulations.

In so doing, the Audit Committee will maintain free and open communication between the directors, the independent auditors, and financial management of the Company.

MEMBERSHIP:

The Audit Committee members will be appointed by, and will serve at the discretion of the Board of Directors, and will consist of at least three members of the Board of Directors meeting the following criteria (as well as any other criteria required by the SEC or NYSE):

1. Each member will be an independent director, as defined by applicable NYSE and SEC requirements;
2. Each member will be able to read and understand fundamental financial statements, or otherwise be financially literate as such standard is interpreted by the Board of Directors; and
3. At least one member will have past employment experience in finance or accounting, requisite professional certification in accounting, or other comparable experience or background, including a current or past position as a chief executive or financial officer or other senior officer with financial oversight responsibilities.

Notwithstanding the foregoing, the board of directors is empowered to make the affirmative determination that a member of the Audit Committee has no material relationship with the Company and will disclose this determination as required by applicable NYSE and SEC requirements.

Responsibilities

In carrying out its responsibilities, the Audit Committee believes its policies and procedures should remain flexible in order to best react to changing conditions and to ensure to the directors and shareholders that the corporate accounting and reporting practices of the Company are in accordance with all requirements and are of high quality.

In carrying out these responsibilities, the Audit Committee will:

1. Review and manage the external audit and the Company's relationship with its external auditors by

(i) selecting the independent auditors, requiring that the independent auditors report directly to the Audit Committee, evaluating the performance of the independent auditors and as necessary terminating the independent auditors;

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(ii) pre-approving the independent auditors' fee arrangements, proposed audit scope, plan and approach;

(iii) pre-approving the retention of the independent auditors for any audit and permissible non-audit services and the fees for such services;

(iv) reviewing materials assessing the caliber of the independent auditors, including the independent auditors' last peer review, if the same is available to the Audit Committee; and

(v) discussing with the independent auditors and the Company's financial management, the financial statements and audit findings, including any significant adjustments, management judgments and accounting estimates, the quality of the Company's accounting principles, new accounting policies and disclosure practices, disagreements with management, and any other matters described in SAS No. 61, as modified or supplemented.

2. Conduct a post-audit review of the financial statements and audit findings, including suggestions for improvements provided to management by the independent auditors.

3. Before filing the annual report on Form 10-K or any quarterly report on Form 10-Q, review the financial statements and the Company's MD&A disclosures with management and the independent auditors to assess the financial statements and related disclosure to be presented to shareholders.

4. Review and recommend to the Board of Directors for inclusion in the 10-K, the audited financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations.

5. Discuss earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies.

6. Cause the Company's independent auditors to review the Company's interim financial statements included in quarterly reports on Form 10-Q.

7. Periodically review with the independent auditors or the Company's internal auditors and with Company financial personnel, the adequacy and effectiveness of the Company's accounting and financial controls, including computerized information system controls and security.

8. Oversee compliance with the requirements of the SEC for disclosure of auditor's services and Audit Committee members and activities. On an annual basis, obtain from the independent auditors a written communication delineating their relationships and professional services as required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees. In addition, review with the independent auditors the nature and scope of any disclosed relationships or professional services and take, or recommend that the Board of Directors take appropriate action to ensure the continuing objectivity and independence of the auditors.

9. Have a clear understanding with the independent auditors that they are ultimately accountable to the Board of Directors and the Audit Committee, who have the ultimate authority in deciding to engage, evaluate, and where appropriate, replace the independent auditors.

10. On an annual basis obtain and review a report by the independent auditor describing the independent auditor's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the independent auditor, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the independent auditor, and any steps taken to deal with any such issues; and all relationships between the independent auditor and the Company.

11. Inquire of management and the independent auditors about significant risks or exposures, and assess the steps management has taken to identify and minimize such risks to the Company.

12. If necessary, institute special investigations of matters brought to its attention within the scope of its duties and, if appropriate, hire special counsel or experts to assist.

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13. Establish procedures for the receipt, retention and treatment of employee and other complaints on accounting, internal accounting controls or auditing matters, as well as for confidential, anonymous submissions by employees of concerns regarding questionable accounting or auditing matters complaints from employees. And, review with management and the independent auditors the adequacy of the Company's processes to review such complaints of which the Company becomes aware that raise material issues regarding the Company's financial statements, accounting policies or internal accounting controls.

14. Review related party transactions for potential conflicts of interest.

15. Set policies regarding the hiring of employees or former employees of the Company's independent auditors.

16. Review the Audit Committee's own structure, processes and membership requirements.

17. Provide a report of the Audit Committee in the Company's proxy statement.

18. Obtain the full Board of Directors' approval of this Charter. Annually review and update the Audit Committee's charter and conduct a self-assessment of Committee performance, at least annually.

19. Regularly report to the Board of Directors and perform other oversight functions, and undertake such other duties, as requested by the full Board of Directors.

MEETINGS:

The Audit Committee will meet at least four times each year. The Audit Committee may establish its own schedule, which it will provide in advance to the Board of Directors.

The Chief Executive Officer, Chief Financial Officer, and the independent auditors shall be invited to attend all regular meetings of the Audit Committee. The Audit Committee will meet separately with the Chief Executive Officer and separately with the Chief Financial Officer of the Company at least annually to review the financial affairs of the Company. Periodically, the Audit Committee shall also meet separately with the internal auditors and separately with the independent auditors to review the financial affairs of the Company. The Audit Committee will meet with the independent auditors of the Company, at such times as it deems appropriate, to review the independent auditors' examination and management report. The Audit Committee may also meet with the Company's investment bankers or financial analysts who follow the Company.

MINUTES:

The Audit Committee will maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board of Directors.

REPORTS:

The Audit Committee will summarize its examinations and recommendations to the Board as may be appropriate, consistent with the Committee's charter.

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PROXY

NETWORKS ASSOCIATES, INC.

**3965 Freedom Circle
Santa Clara, California 95054**

This Proxy is Solicited on Behalf of the Board of Directors

The undersigned hereby appoints George Samenuk and Kent Roberts as Proxies, each with the power to appoint his substitute, and hereby authorizes them to represent and to vote as designated on the reverse side, all the shares of common stock of Networks Associates, Inc. held of record by the undersigned on April 1, 2004, at the Annual Meeting of Stockholders to be held on May 27, 2004, or any adjournment thereof.

This Proxy, when properly executed, will be voted in the manner directed herein by the assigned stockholder. If no direction is taken this Proxy will be voted FOR Proposals 1, 2 and 3.

**PLEASE VOTE PROMPTLY
BY INTERNET, TELEPHONE
OR
MARK, SIGN, DATE AND
RETURN THE PROXY CARD
USING THE ENCLOSED
ENVELOPE.**

**SEE
REVERSE
SIDE**

**(Continued and to be signed on
reverse side)**

**SEE
REVERSE
SIDE**

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

é FOLD AND DETACH HERE é

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This Proxy, when properly executed, will be voted in the manner directed herein by the assigned stockholder. If no direction is taken this Proxy will be voted FOR Proposals 1, 2 and 3.

Please Mark Here for Address Change or Comments
SEE REVERSE SIDE

	FOR	AGAINST	ABSTAIN
1. Election of Class III Directors.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
2. To approve an amendment to the 1997 Stock Incentive Plan to prohibit repricing of outstanding stock options or stock appreciation rights without stockholder approval and to re-approve the performance criteria under the 1997 Stock Incentive Plan.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Nominee: 01 Mr. Robert Dutkowsky	FOR <input type="radio"/>	WITHHELD <input type="radio"/>	
Nominee: 02 Mr. Denis O Leary	FOR <input type="radio"/>	WITHHELD <input type="radio"/>	3. To ratify the appointment of Deloitte & Touche LLP as the independent accountants for the fiscal year ending December 31, 2004.
	FOR <input type="radio"/>	WITHHELD <input type="radio"/>	
Nominee: 03 Mr. Robert Pangia	FOR <input type="radio"/>	WITHHELD <input type="radio"/>	

Dated: _____, 2004

Signature

Signature if held jointly

Please sign exactly as name appears to the left. When shares are held in joint tenancy, all such persons should sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign in full corporate name by President or other authorized officer. If a partnership,

please sign in partnership name by authorized person.

**PLEASE VOTE PROMPTLY BY INTERNET, TELEPHONE OR MARK, SIGN,
DATE AND RETURN THE PROXY CARD USING THE ENCLOSED ENVELOPE.**

é **FOLD AND DETACH HERE** é
Vote by Internet or Telephone or Mail
24 Hours a Day, 7 Days a Week

Internet and telephone voting is available through 11:59 PM Eastern Time the day prior to annual meeting day.

Your Internet or telephone vote authorizes the named proxies to vote your shares in the same manner as if you marked, signed and returned your proxy card.

Internet		Telephone		Mail
http://www.eproxy.com/net		1-800-435-6710		Mark, sign and date
Use the Internet to vote your proxy.		Use any touch-tone telephone to		your proxy card
Have your proxy card in hand when you access the web site.	OR	vote your proxy. Have your proxy card in hand when you call.	OR	and
				return it in the enclosed postage-paid

If you vote your proxy by Internet or by telephone, you do NOT need to mail back your proxy card.