

NETSUITE INC
Form DEF 14A
April 29, 2016

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

SCHEDULE 14A

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

Filed by the Registrant ☒

Filed by a Party other than the Registrant ☐

Check the appropriate box:

- ☐ Preliminary Proxy Statement
- ☐ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- ☒ Definitive Proxy Statement
- ☐ Definitive Additional Materials
- ☐ Soliciting Material under §240.14a-12

NETSUITE INC.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- ☒ No fee required.
- ☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies:
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(1) Amount Previously Paid:

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NetSuite Inc.
2955 Campus Drive
Suite 100
San Mateo, CA 94403-2511

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held June 21, 2016

Dear Stockholders:

You are cordially invited to attend our 2016 Annual Meeting of Stockholders to be held on Tuesday, June 21, 2016 at 9:00 a.m., local time, at The Westin Hotel, 1 Old Bayshore Highway, Millbrae, California 94030. We are holding the meeting for the following purposes:

1. To elect four Class III directors, William Beane III, Deborah Farrington, James McGeever, and Edward Zander, to serve for a term of three years and until their successors are duly elected and qualified, subject to their earlier death, resignation or removal;
2. To approve the 2016 Equity Incentive Plan;
3. To hold a non-binding, advisory vote on named executive compensation;
4. To hold a non-binding, advisory vote on the frequency of the advisory vote on executive compensation;
5. To ratify the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2016; and
6. To transact such other business as may properly come before the meeting or at any and all adjournments, continuations or postponements thereof.

If you owned our common stock at the close of business on April 25, 2016, you may attend and vote at the meeting. A list of stockholders eligible to vote at the meeting will be available for review during our regular business hours at our headquarters in San Mateo, California for the ten days prior to the meeting for any purpose related to the meeting. This notice, the Proxy Statement and the Annual Report are first being mailed to stockholders and posted on our website on or about April 29, 2016.

Your vote is important. Whether or not you plan to attend the meeting, I hope that you will vote as soon as possible. You may vote your shares via a toll-free telephone number or over the Internet. You may also submit your proxy card or voting instruction card for the meeting by completing, signing, dating and returning your proxy card or voting instruction card in the envelope provided. Any stockholder of record attending the meeting may vote in person, even if you have already returned a proxy card or voting instruction card.

Thank you for your ongoing support of NetSuite. We look forward to seeing you at our Annual Meeting.

Sincerely,

/s/ DOUGLAS P. SOLOMON

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Douglas P. Solomon

SVP, General Counsel and Secretary

April 29, 2016
San Mateo, California

ALL STOCKHOLDERS ARE INVITED TO ATTEND THE MEETING IN PERSON. WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING, PLEASE VOTE AS PROMPTLY AS POSSIBLE IN ORDER TO ENSURE YOUR REPRESENTATION AT THE MEETING. PLEASE NOTE THAT IF YOUR SHARES ARE HELD OF RECORD BY A BROKER, BANK OR OTHER NOMINEE AND YOU WISH TO VOTE AT THE MEETING, YOU MUST OBTAIN FROM THE RECORD HOLDER A PROXY ISSUED IN YOUR NAME.

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NETSUITE INC

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NetSuite Inc.
2955 Campus Drive
Suite 100
San Mateo, CA 94403-2511

GENERAL INFORMATION

Our board of directors is soliciting proxies for our 2016 Annual Meeting of Stockholders to be held on Tuesday, June 21, 2016 at 9:00 a.m. local time at The Westin Hotel, 1 Old Bayshore Highway, Millbrae, California 94030. Our principal executive offices are located at 2955 Campus Drive, Suite 100, San Mateo, CA 94403-2511.

The proxy materials, including this proxy statement, proxy card or voting instruction card and our 2015 Annual Report on Form 10-K are first being distributed to stockholders and made available on our website at www.netsuite.com under the headings "Investors/SEC Filings" on or about April 29, 2016. These materials are also available at <https://materials.proxyvote.com/64118Q> in a manner that does not infringe on the anonymity of the person accessing such website. This proxy statement contains important information for you to consider when deciding how to vote on the matters brought before the meeting. Please read it carefully. Unless the context requires otherwise, the words "NetSuite," "we," "Company," "us," and "our" refer to NetSuite Inc.

QUESTIONS AND ANSWERS

What is included in these materials and posted on our website?

These materials include:

Our proxy statement for the Annual Meeting including the proxy card for the Annual Meeting; and

Our 2015 Annual Report on Form 10-K, which includes our audited consolidated financial statements for the fiscal year ended December 31, 2015.

What items will be voted on at the Annual Meeting?

The following items will be voted on at the Annual Meeting:

1. The election of four Class III directors;
2. The approval of the 2016 Equity Incentive Plan;
3. A non-binding, advisory vote on named executive compensation;
4. A non-binding, advisory vote on the frequency of the advisory vote on executive compensation;
- 5.

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Ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2016; and

6.

Transaction of such other business as may properly come before the meeting or at any and all adjournments, continuations or postponements thereof.

What are our Board of Directors' voting recommendations?

Our board recommends that you vote your shares "FOR" each of the nominees to the board, "FOR" the approval of the 2016 Equity Incentive Plan, "FOR" the approval of the compensation of our named executive officers on a non-binding, advisory basis, "EVERY 1 YEAR" for the frequency of the advisory vote on executive compensation and "FOR" the ratification of the appointment of KPMG LLP.

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Who may vote at the Annual Meeting?

If you owned NetSuite's common stock at the close of business on April 25, 2016 (the "Record Date"), then you may attend and vote at the meeting. At the close of business on the Record Date, we had 80,436,442 shares of common stock issued and outstanding, all of which are entitled to vote with respect to all matters to be acted upon at the Annual Meeting. Each stockholder of record is entitled to one vote for each share of common stock held by such stockholder.

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

Stockholder of Record. If your shares are registered directly in your name with our transfer agent, Wells Fargo Shareholder Services, or Wells Fargo, you are considered the stockholder of record with respect to those shares, and the proxy materials were sent directly to you by NetSuite.

Beneficial Owner of Shares Held in Street Name. If your shares are held in an account at a brokerage firm, bank, broker-dealer, or other similar organization, then you are the beneficial owner of shares held in "street name," and the proxy materials were forwarded to you by that organization. The organization holding your account is considered the stockholder of record for purposes of voting at the Annual Meeting. As a beneficial owner, you have the right to direct that organization on how to vote the shares held in your account.

What is the quorum requirement for the Annual Meeting?

A majority of NetSuite's outstanding shares on the Record Date must be present at the meeting in order to hold the meeting and conduct business. This is called a quorum. Your shares will be counted for purposes of determining if there is a quorum, whether representing votes for, against, withheld or abstained, or broker non-votes, if you:

Are present and vote in person at the meeting; or

Have voted on the Internet, by telephone or by properly submitting a proxy card or voting instruction form by mail.

If I am a stockholder of record of NetSuite's shares, how do I vote?

If you are a stockholder of record, you may vote by proxy. You can vote by proxy over the Internet, by mail or by telephone by following the instructions provided in the proxy materials.

You may also vote in person at the Annual Meeting. We will give you a ballot when you arrive. Directions to the Annual Meeting are available on our corporate website at <http://www.netsuite.com/portal/investors/event.shtml>.

If I am a beneficial owner of shares held in street name, how do I vote?

If you are a beneficial owner of shares held in street name, you may vote by proxy. You may vote by proxy over the Internet, by mail or by telephone by following the instructions provided in the proxy materials.

You may also vote in person at the Annual Meeting. To vote in person, you must obtain a valid proxy from the organization that holds your shares. Directions to the Annual Meeting are available on our corporate website at <http://www.netsuite.com/portal/investors/event.shtml>.

What happens if I do not give specific voting instructions?

Stockholders of Record. If you are a stockholder of record and you:

Indicate when voting on the Internet or by telephone that you wish to vote as recommended by our board of directors or

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If you sign and return a proxy card without giving specific voting instructions,

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then the proxy holders will vote your shares in the manner recommended by our board of directors on all matters presented in this proxy statement and as the proxy holders may determine in their discretion with respect to any other matters properly presented for a vote at the meeting.

Beneficial Owners of Shares Held in Street Name. If you are a beneficial owner of shares held in street name and do not provide the organization (*e.g.*, your broker) that holds your shares with voting instructions, under the rules of various national and regional securities exchanges, the organization that holds your shares may generally vote on routine matters but cannot vote on non-routine matters. If the organization that holds your shares does not receive instructions from you on how to vote your shares on a non-routine matter, the organization that holds your shares will inform our Inspector of Election that it does not have the authority to vote on this matter with respect to your shares. This is generally referred to as a "broker non-vote." When our Inspector of Election tabulates the votes for any particular matter, broker non-votes will be counted for purposes of determining whether a quorum is present, but will not otherwise be counted. We encourage you to provide voting instructions to the organization that holds your shares by carefully following the instructions provided in the proxy materials.

If you are a beneficial owner of shares held in street name, it is important for you to cast a vote if you want it to count in the election of directors (Proposal 1), the approval of the 2016 Equity Incentive Plan (Proposal 2), the non-binding, advisory vote on named executive compensation (Proposal 3), and the non-binding, advisory vote on the frequency of the advisory vote on executive compensation (Proposal 4). In the past, if a beneficial owner held shares in street name and did not indicate how the holder wanted the shares voted in the election of directors, the beneficial owner's bank or broker was allowed to vote those shares on the holder's behalf in the election of directors as they felt appropriate. Changes in applicable regulations were made to take away the ability of a beneficial owner's bank or broker to vote uninstructed shares on non-routine matters on a discretionary basis. Thus, if a beneficial owner holds shares in street name and does not instruct the bank or broker how to vote in the election of directors, the approval of the 2016 Equity Incentive Plan, the non-binding, advisory vote on executive compensation, or the non-binding, advisory vote on the frequency of the advisory vote on executive compensation, no votes will be cast on that holder's behalf. The beneficial owner's bank or broker will, however, continue to have discretion to vote any uninstructed shares on the ratification of the appointment of the Company's independent registered public accounting firm (Proposal 5). If you sign and return a proxy card without giving specific voting instructions, then the proxy holders will vote your shares in the manner recommended by our board of directors on all matters presented in this proxy statement and as the proxy holders may determine in their discretion with respect to any other matters properly presented for a vote at the meeting.

Which ballot measures are considered "routine" or "non-routine"?

Proposal 1 (election of directors), Proposal 2 (approval of the 2016 Equity Incentive Plan), Proposal 3 (non-binding, advisory vote on named executive compensation), and Proposal 4 (non-binding, advisory vote on the frequency of the advisory vote on executive compensation) involve matters that are considered non-routine. A broker or other nominee cannot vote without instructions on non-routine matters, and therefore there may be broker non-votes on Proposals 1 through 4. Proposal 5 (ratification of appointment of independent registered public accounting firm) involves a matter that we believe is considered routine. A broker or other nominee may generally vote on routine matters, and therefore no broker non-votes are expected to exist in connection with Proposal 5.

How are abstentions treated?

Abstentions are counted for purposes of determining whether a quorum is present. For the purpose of determining whether the stockholders have approved a matter, abstentions are treated as represented and entitled to vote and, therefore, have the same effect on the outcome of a matter being voted on at the Annual Meeting as a vote "AGAINST" or "WITHHELD" except in elections of directors where abstentions have no effect on the outcome.

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What is the voting requirement to approve each of the proposals?

The following table sets forth the voting requirement with respect to each of the proposals:

Proposal 1 Election of directors	Each director must be elected by a majority of the votes cast, meaning that a director nominee will be elected only if the number of votes "FOR" the nominee exceeds the number of votes "AGAINST" the nominee. Only votes "FOR" or "AGAINST" will affect the outcome. Abstentions or broker non-votes will not affect the outcome of the vote.
Proposal 2 Approval of the 2016 Equity Incentive Plan	To be approved by our stockholders, a majority of the shares represented and entitled to vote on this proposal must vote "FOR" this proposal. Abstentions are considered votes cast and, thus, will have the same effect as a vote "AGAINST" the proposal. Broker non-votes are not considered entitled to vote and, thus, will have no effect on the outcome of the vote.
Proposal 3 Non-binding Advisory Vote on Named Executive Compensation	To be approved by our stockholders on a non-binding, advisory basis, a majority of the shares represented and entitled to vote on this proposal must vote "FOR" this proposal. Abstentions are considered votes cast and, thus, will have the same effect as a vote "AGAINST" the proposal. Broker non-votes are not considered entitled to vote and, thus, will have no effect on the outcome of the vote. Even though your vote is advisory and therefore will not be binding on us, the board of directors and the compensation committee will review the voting results and take them into consideration when making future decisions regarding executive compensation.
Proposal 4 Non-binding Advisory Vote on the Frequency of the Advisory Vote on Executive Compensation	The frequency of a non-binding advisory vote on executive compensation will be determined by which frequency receives the highest number of votes cast. Abstentions will not have an effect. Broker non-votes are not considered entitled to vote and, thus, will have no effect on the outcome of the vote. Even though your vote is advisory and therefore will not be binding on us, the board of directors will review the voting results and take them into consideration when making future decisions regarding the frequency of the advisory vote on executive compensation.
Proposal 5 Ratification of appointment of independent registered public accounting firm	To be approved by our stockholders, a majority of the shares represented and entitled to vote on this proposal must vote "FOR" this proposal. Abstentions are considered votes cast and, thus, will have the same effect as a vote "AGAINST" the proposal.

Can I change my vote after I have voted?

You may revoke your proxy and change your vote at any time before the final vote at the meeting. You may vote again on a later date on the Internet or by telephone (only your latest Internet or telephone proxy submitted prior to the meeting will be counted), or by signing and returning a new proxy card with a later date, or by attending the meeting and voting in person. However, your attendance at the Annual Meeting will not automatically revoke your proxy unless you vote again at the meeting or specifically request in writing that your prior proxy be revoked.

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Is my vote confidential?

Proxy instructions, ballots and voting tabulations that identify individual stockholders are handled in a manner that protects your voting privacy. Your vote will not be disclosed either within NetSuite or to third parties, except:

As necessary to meet applicable legal requirements;

To allow for the tabulation and certification of votes; or

To facilitate a successful proxy solicitation.

Occasionally, stockholders provide written comments on their proxy cards, which may be forwarded to management and our board of directors.

Who will serve as Inspector of Elections?

The Inspector of Elections is expected to be a representative from Wells Fargo.

Where can I find the voting results of the Annual Meeting?

The preliminary voting results will be announced at the Annual Meeting. The final voting results will be tallied by the Inspector of Elections and published in a Current Report on Form 8-K that we expect to file with the Securities and Exchange Commission ("SEC") within four business days following the Annual Meeting.

Who is paying for the cost of this proxy solicitation?

NetSuite is paying the costs of the solicitation of proxies. We will pay brokerage firms and other persons representing beneficial owners of shares held in street name certain fees associated with:

Forwarding printed proxy materials by mail to stockholders of record and beneficial owners; and

Obtaining beneficial owners' voting instructions.

We have retained a proxy solicitor. We expect that the fees for such solicitor will be less than \$25,000. Our board members, officers and employees also may solicit proxies on our behalf, without additional compensation, personally or by telephone. We may also solicit proxies by email from stockholders who are our employees or who previously requested to receive proxy materials electronically.

How will NetSuite's significant stockholder vote its shares on these matters?

On the Record Date, NetSuite Restricted Holdings LLC (the "LLC") held 31,964,891 shares of our common stock. As of the Record Date, those shares represented approximately 39.7% of our outstanding stock. The LLC is a limited liability company beneficially owned by Lawrence J. Ellison, and was formed for the limited purpose of holding NetSuite shares, voting the shares as required by the LLC's operating agreement (as described below), and funding charitable gifts if and when directed by Mr. Ellison. The LLC is managed solely by a third party who is unrelated to NetSuite or Mr. Ellison.

The operating agreement for the LLC contains provisions regarding the voting of our shares that are designed to neutralize the voting power of the shares of our stock held by the LLC, and that require that all the shares held by the LLC that are entitled to be voted at any meeting of our stockholders will be present and voted at such meeting, except as described below. These provisions require the shares held by the LLC to be voted on each matter presented in strict proportion (for, against, withheld, and/or abstain) to the votes collectively cast by all of our other stockholders who are present and voting, other than shares beneficially owned by Mr. Ellison or members of his family, shares owned by trusts

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created for the benefit of Mr. Ellison's family members, and shares beneficially owned by any person or group that makes (or under applicable law is required to make) a filing on Schedule 13D with the SEC. These voting provisions apply to all matters brought before our stockholders, except transactions involving a change of control, dissolution,

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sale of substantially all the assets, or a liquidation of NetSuite, in which case the shares held by the LLC will be voted as directed by Mr. Ellison.

How can stockholders submit a proposal for inclusion in our proxy statement for the 2017 Annual Meeting?

To be included in our proxy statement for the 2017 Annual Meeting, stockholder proposals must comply with the requirements of Rule 14a-8 under the Securities Exchange Act of 1934 and be received by our Secretary at our principal executive offices no later than December 30, 2016, or no later than 120 calendar days before the one-year anniversary of the date on which we first released our proxy statement to stockholders in connection with this year's Annual Meeting.

How can stockholders submit proposals to be raised at the 2017 Annual Meeting that will not be included in our proxy statement for the 2017 Annual Meeting?

To be raised at the 2017 Annual Meeting, stockholder proposals must comply with our Bylaws. Under our Bylaws, a stockholder must give advance notice to our Secretary of any business, including nominations of candidates for election as directors for our board that the stockholder wishes to raise at our Annual Meeting. To be timely, the notice must be delivered to or mailed and received by our Secretary at our principal executive offices not later than the close of business on the 90th day, nor earlier than the close of business on the 120th day, prior to the anniversary date of the immediately preceding annual meeting. Since our 2016 Annual Meeting is being held on June 21, 2016, stockholder proposals must be received by our Secretary at our principal executive offices no earlier than February 21, 2017 and no later than March 23, 2017, in order to be raised at our 2016 Annual Meeting.

What if the date of the 2017 Annual Meeting changes by more than 30 days from the anniversary of this year's Annual Meeting?

Under Rule 14a-8 of the Securities Exchange Act of 1934, as amended, if the date of the 2017 Annual Meeting changes by more than 30 days from the anniversary of this year's Annual Meeting, to be included in our proxy statement, stockholder proposals must be received by us within a reasonable time before our solicitation is made.

Under our Bylaws, if the date of the 2017 Annual Meeting changes by more than 30 days from the anniversary of this year's Annual Meeting, stockholder proposals to be brought before the 2017 Annual Meeting must be received not later than the close of business on the 10th day following the day on which such notice of the date of the meeting was mailed or public disclosure of the date of the meeting was made, whichever occurs first.

Does a stockholder proposal require specific information?

With respect to a stockholder's nomination of a candidate for our board, the stockholder notice to the Secretary must contain certain information as set forth in our Bylaws about both the nominee and the stockholder making the nomination. With respect to any other business that the stockholder proposes, the stockholder notice must contain a brief description of such business and the reasons for conducting such business at the meeting, as well as certain other information as set forth in our Bylaws. If you wish to bring a stockholder proposal or nominate a candidate for director, you are advised to review our Bylaws, which contain additional requirements about advance notice of stockholder proposals and director nominations. Our current Bylaws may be found on our corporate website at www.netsuite.com under the headings "Company/Investors/Corporate Governance."

What happens if we receive a stockholder proposal that is not in compliance with the time frames described above?

If we receive notice of a matter to come before the 2017 Annual Meeting that is not in accordance with the deadlines described above, we will use our discretion in determining whether or not to bring such matter before such meeting. If such matter is brought before such meeting, then our proxy card for such meeting will confer upon our proxy holders' discretionary authority to vote on such matter.

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Our board of directors currently consists of nine directors and is divided into three classes, with the nominees for one class to be elected at each annual meeting of stockholders, to hold office for a three-year term and until successors of such class have been elected and qualified, subject to their earlier death, resignation or removal. The terms of the Class III directors are scheduled to expire on the date of the upcoming Annual Meeting. Based in part on the recommendation of the nominating and governance committee of the board of directors, the board of directors' nominees for election by the stockholders are the current Class III members of the board of directors, William Beane III, Deborah Farrington, James McGeever, and Edward Zander. Mr. McGeever joined our board of directors in August 2015, and was added to Class III so that he would be eligible for election by the vote of our stockholders at the upcoming Annual Meeting. If elected, the nominees will serve as directors until our annual meeting of stockholders in 2019 and until their successors are elected and qualified, subject to their earlier death, resignation or removal.

The names and certain information about the nominees for election as directors and the continuing directors in each of the other two classes of our board of directors are set forth below. There are no family relationships among any of our directors or executive officers.

It is intended that the proxy will be voted, unless otherwise indicated, for the election of the nominees as Class III directors to the board of directors. If any of the nominees, for any reason, should be unable or unwilling to serve at any time prior to the Annual Meeting, the proxies will be voted for the election of such other person as a substitute nominee as our board of directors may designate in place of such nominee.

Our bylaws and Corporate Governance Guidelines provide for a majority voting standard in uncontested elections of directors. An uncontested election is one in which the number of nominees for director does not exceed the number of directors to be elected. The director election taking place at this Annual Meeting is uncontested and, therefore, the majority voting standard will apply. Under the majority voting standard, in order for a nominee to be elected the votes cast "for" such nominee's election must exceed the votes cast "against" such nominee's election. We have adopted a policy pursuant to which an incumbent director nominee that receives a greater number of votes "against" his or her election than votes "for" such election will tender his or her resignation for consideration by our board of directors. Our nominating and governance committee will then recommend to the board of directors the action to be taken with respect to such offer of resignation.

Nominees for Class III Directors

The name and age as of March 31, 2016 of each nominee for director, his or her position with us, the year in which he or she first became a director and certain biographical information as of March 31, 2016 is set forth below:

Name	Age	Positions and Offices Held with the Company	Director Since
William Beane III	54	Director	2007
Deborah Farrington	65	Director	2000
James McGeever	49	Director, President and Chief Operating Officer	2015
Edward Zander	69	Director	2009

William Beane III has been a member of our board of directors since January 2007. Mr. Beane has served as Vice President and General Manager of the Oakland Athletics, a Major League Baseball® team since October 1997, and has been a minority owner of the team since April 2005. He attended the University of California, San Diego.

As the general manager of a Major League Baseball team, Mr. Beane brings valuable leadership and business management experience to the board, particularly in talent management and performance and metrics-based management. With the Oakland Athletics, Mr. Beane has used his strategic vision to apply a statistical, quantitative-based approach to help build competitive teams in a more fiscally disciplined manner.

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Under his leadership, the Oakland Athletics have been widely and consistently regarded as one of the most successful fiscally disciplined teams in Major League Baseball.

Deborah Farrington has been a member of our board of directors since May 2000. Since May 1998, Ms. Farrington has served as a General Partner of StarVest Partners, L.P., a venture capital firm, and, since April 2006, has served as President of StarVest Management, Inc., a management company. Ms. Farrington also is a member of the board of directors and serves as the chair of the compensation committee of Collectors Universe, Inc., a company that grades and authenticates collectible assets. She holds an A.B. from Smith College and an M.B.A. from Harvard Business School.

Ms. Farrington has spent over thirty years in the financial services industry, including over twenty years of private equity investing and, prior to that, eleven years of investment banking. Ms. Farrington brings valuable financial, business and management experience to the board. In particular, Ms. Farrington has over fifteen years of experience investing in and working with business services companies, especially Software-as-a-Service ("SaaS") companies. Ms. Farrington has over a decade of board experience at NetSuite and has extensive experience with other business services companies. This experience uniquely qualifies Ms. Farrington to provide the board with an important perspective on the operations of, and issues facing, our company and SaaS companies generally. Ms. Farrington also holds an Executive Masters Professional Director Certification from the American College of Corporate Directors, a director education and credentialing organization.

James McGeever has served as our Chief Operating Officer since July 1, 2010, and has been President and a member of our board of directors since August 2015. Mr. McGeever served as our Chief Financial Officer from June 2000 until July 2010 and as our Director of Finance from January 2000 to June 2000. Prior to joining us, Mr. McGeever was the controller of Clontech Laboratories, Inc., a privately held biotechnology company from 1998 to 2000 and the corporate controller at Photon Dynamics, Inc., a capital equipment maker from 1994 to 1998. Mr. McGeever holds a B.Sc. from the London School of Economics. Mr. McGeever has qualified as a chartered accountant in the United Kingdom.

Mr. McGeever has over twenty years of experience working in the technology sector and over fifteen years of experience at NetSuite helping to build and grow our business from its early stages. Mr. McGeever brings his leadership and extensive business, operating, and financial expertise to the board of directors. As our President, Mr. McGeever oversees all customer, vertical, product and human resource activities, and his involvement on the board of directors creates a critical link between the management and the board of directors, enabling the board of directors to perform its oversight function with the benefit of his perspectives on the business and our customer-base.

Edward Zander has been a member of our board of directors since June 2009. From January 2004 to January 2008, Mr. Zander served as Chairman and Chief Executive Officer of Motorola, Inc. Prior to joining Motorola, Mr. Zander was a managing director of Silver Lake Partners, a leading private equity fund focused on investments in technology industries. Prior to holding that position, Mr. Zander was President and Chief Operating Officer of Sun Microsystems Inc., a leading provider of hardware, software and services for networks, from January 1998 until June 2002. Mr. Zander is a member of the board of directors of Seagate Technology. Mr. Zander also serves on the board of trustees of Rensselaer Polytechnic Institute. He holds a B.S. from Rensselaer Polytechnic Institute and an M.B.A. from Boston University.

Mr. Zander has over two decades of senior management experience in the technology sector. Mr. Zander's experience as the Chief Executive Officer, and as President and Chief Operating Officer, of two of the leading technology corporations in the U.S., brings valuable leadership, strategic, management, and operational experience in technology businesses to our board. In addition, Mr. Zander's deep experience in a variety of technology businesses, including his work as a managing director of Silver Lake Partners and ongoing board service at two other technology companies, provides Mr. Zander with the background and insight to contribute significantly to the strategic and operational issues that NetSuite may encounter.

Table of Contents**Directors Not Standing for Election**

The names and certain biographical information as of March 31, 2016 about the continuing members of our board of directors who are not standing for election at this year's Annual Meeting are set forth below:

Name	Age	Positions and Offices Held with the Company	Director Since	Class and Year in Which Term Will Expire
Zachary Nelson	54	Chief Executive Officer and Director	2002	Class I 2017
Kevin Thompson	50	Director	2006	Class I 2017
Evan Goldberg	49	Chief Technology Officer and Chairman of the Board	1998	Class II 2018
Steven J. Gomo	64	Director	2012	Class II 2018
Catherine R. Kinney	64	Director	2009	Class II 2018

Zachary Nelson has been a member of our board of directors since July 2002 and has served as our Chief Executive Officer since August 2015. Prior to that, Mr. Nelson served as our President and Chief Executive Officer from January 2003 to August 2015. Prior to that, Mr. Nelson served as our President and Chief Operating Officer from July 2002 to January 2003. From March 1996 to October 2001, Mr. Nelson was employed by Network Associates, Inc. (now Intel Corporation), an enterprise security software company. While at Network Associates, Mr. Nelson held various positions, including Chief Strategy Officer of Network Associates and President and Chief Executive Officer of MyCIO.com, a subsidiary that provided on-demand software security services. From 1992 to 1996, he held various positions, including Vice President of Worldwide Marketing, at Oracle Corporation, an enterprise software company. He holds B.S. and M.A. degrees from Stanford University.

Mr. Nelson has over twenty years of experience working in the technology sector and brings his leadership and extensive business, operating, marketing and industry experience to the board. As our Chief Executive Officer, he also brings his strategic vision for the Company to the board of directors and creates a critical link between the management and the board of directors, enabling the board to perform its oversight function with the benefits of management's perspectives on the business.

Kevin Thompson has been a member of our board of directors since September 2006. Since July 2006, Mr. Thompson has been employed by SolarWinds, Inc., a network management software company, and currently serves as its President and Chief Executive Officer and serves on its board of directors. In addition to his current role as President and Chief Executive Officer, Mr. Thompson previously held various positions at SolarWinds, including, Chief Operating Officer, Chief Financial Officer and Treasurer. From September 2004 until November 2005, Mr. Thompson was Senior Vice President and Chief Financial Officer at SAS Institute Inc., a business intelligence software company. From October 2000 until August 2004, Mr. Thompson served as Executive Vice President and Chief Financial Officer of Red Hat Inc., an enterprise software company. He holds a B.B.A. from the University of Oklahoma.

Mr. Thompson has over a decade of experience in the software industry. As the President and Chief Executive Officer of a large and fast-growth software company that was public from 2009 until 2016, Mr. Thompson brings deep leadership and operational experience to our board. In addition, Mr. Thompson's strong financial background, including his work as the chief financial officer at two different publicly-traded software companies and one of the world's largest privately-held software company (pre-packaged software), provides financial expertise to the board, including an understanding of financial statements, corporate finance and accounting.

Evan Goldberg co-founded our company and has been a member of our board of directors since October 1998 and Chairman of our board since January 2003. From October 1998 through January 2003, Mr. Goldberg held various positions with us, including President and Chief Executive Officer and Chief Technology Officer. Prior to joining us, Mr. Goldberg founded mBed Software, Inc., a software company focused on multimedia tools for website developers, where he served as Chief Executive Officer from November 1995 to September 1998. From August 1987 to November 1995, Mr. Goldberg held various positions in the product development group at Oracle Corporation, including Vice President of Development in the New Media Division. He holds a B.A. from Harvard College.

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As the co-founder of NetSuite, and having nearly eighteen years of experience as a key executive officer and member of our board of directors, Mr. Goldberg has in-depth knowledge of the Company, its products, operations and strategy. Based upon this experience and knowledge, Mr. Goldberg can provide the board with unique insights into the Company's challenges, opportunities and operations. Mr. Goldberg's eight years of experience in the product development group at Oracle and his experience as founder and CEO of mBed Software, Inc., bring deep software development and product expertise to our board.

Steven J. Gomo has been a member of our board of directors since March 2012. From August 2002 until December 2011, Mr. Gomo was employed by NetApp, Inc. and has served as its Executive Vice President of Finance and Chief Financial Officer since 2004. Prior to joining NetApp, Inc., he served as Chief Financial Officer for Gemplus International S.A., headquartered in Luxembourg, from November 2000 to April 2002 and as Chief Financial Officer of Silicon Graphics, Inc., from February 1998 to August 2000. Prior to February 1998, he worked at Hewlett-Packard Company for twenty-four years in various positions, including financial management, corporate finance, general management, and manufacturing. Mr. Gomo currently serves on the board of directors of SanDisk Corporation, and Enphase Energy. Mr. Gomo holds an M.B.A. degree from Santa Clara University and a B.S. degree in business administration from Oregon State University.

Mr. Gomo has over fourteen years of experience as a chief financial officer at publicly traded companies and over thirty-four years working in the high technology industry bringing strong financial and operational experience to the board. Mr. Gomo has extensive operational experience scaling rapidly growing companies. In addition, Mr. Gomo's strong financial background provides financial expertise to the board, including an understanding of financial statements, corporate finance and accounting.

Catherine R. Kinney has been a member of our board of directors since March 2009. From 2008 through March 2009, Ms. Kinney served as Group Executive Vice President and Head of Global Listings at NYSE Euronext, where she was responsible for overseeing the company's global listing program, marketing and branding. From 2002 to 2008, Ms. Kinney served as President and Co-Chief Operating Officer of the New York Stock Exchange. Ms. Kinney served in the Paris, France office of the NYSE Euronext from July 2007 until 2009. Ms. Kinney serves on the board of directors and is a member of the finance and risk committee and audit committee of MetLife, Inc. Ms. Kinney also serves on the board of directors and is chair of the nominating and governance committee of MSCI, Inc., and she serves on the board of directors, the compensation committee and chairs the nominating and governance committee of QTS Realty Trust, Inc. She holds a B.A. from Iona College and completed the Advanced Management Program at Harvard Business School. Ms. Kinney has received honorary degrees from Georgetown University, Fordham University and Rosemont College.

Ms. Kinney's experience as a senior executive and Chief Operating Officer of a multinational regulated entity and her key role transforming the New York Stock Exchange to a global publicly-traded company demonstrates a knowledge of, and experience with, issues of corporate development and transformation. In addition, Ms. Kinney's experience in developing and establishing the NYSE corporate governance standards for listed companies provides the board with unique corporate governance expertise to assist the board in establishing and maintaining an effective corporate governance program.

Vote Required and Board of Directors' Recommendation

Each director must be elected by a majority of the votes cast, meaning that a director nominee will be elected only if the number of votes "FOR" the nominee exceeds the number of votes "AGAINST" the nominee.

RECOMMENDATION

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE
ELECTION OF THE BOARD'S FOUR NOMINEES IDENTIFIED ABOVE IN PROPOSAL NO. 1.**

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BOARD MATTERS AND CORPORATE GOVERNANCE

Board Committees

Our board of directors has an audit committee, a compensation committee, a nominating and governance committee, and a corporate development committee, each of which has the composition and responsibilities described below. The board of directors has also adopted a written charter for each of the four standing committees: the audit committee, the compensation committee, the nominating and governance committee, and the corporate development committee. A charter for each committee that is required by the New York Stock Exchange is available on our corporate website at www.netsuite.com under the headings "Company/Investors/Corporate Governance," or in print by contacting Investor Relations at our principal executive offices.

Audit Committee

Our audit committee is comprised of Deborah Farrington, Steven J. Gomo, Catherine R. Kinney and Kevin Thompson, each of whom is a non-employee member of our board of directors. Mr. Gomo is the chairperson of our audit committee. Our board of directors has determined that each member of our audit committee meets the requirements for independence and financial literacy, and that each member qualifies as an audit committee financial expert under the applicable rules of the New York Stock Exchange and SEC rules and regulations. To the extent deemed necessary or appropriate, the audit committee, among other things:

selects and hires our independent auditors, and approves the audit and non-audit services to be performed by our independent auditors;

evaluates the qualifications, performance and independence of our independent auditors;

monitors the integrity of our financial statements and our compliance with legal and regulatory requirements as they relate to financial statements or accounting matters;

reviews the adequacy and effectiveness of our internal control policies and procedures and oversees our internal audit function;

discusses the scope and results of the audit with the independent auditors and reviews with management and the independent auditors our interim and year-end operating results;

prepares the audit committee report that the SEC requires in our annual proxy statement; and

reviews and approves in advance any proposed related party transactions.

Compensation Committee

Our compensation committee is comprised of Deborah Farrington, Kevin Thompson and Edward Zander, each of whom is a non-employee member of our board of directors. Ms. Farrington is the chairperson of our compensation committee. Our board of directors has determined that each member of our compensation committee meets the requirements for independence under the applicable rules of the New York Stock Exchange. To the extent necessary or appropriate, the compensation committee, among other things:

reviews and approves for our executive officers: annual base salaries, annual performance-based cash incentives, including the specific goals and amounts, equity compensation, employment agreements, severance arrangements and change in control arrangements, and any other benefits, compensation or arrangements;

reviews the succession planning for our executive officers;

oversees compensation goals and performance-based cash incentive and stock compensation criteria for our employees;

reviews and recommends compensation programs for outside directors;

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prepares the compensation discussion and analysis and compensation committee report that the SEC requires be included in our annual proxy statement; and

administers, reviews and makes recommendations with respect to our equity compensation plans.

Nominating and Governance Committee

Our nominating and governance committee is comprised of Deborah Farrington, Catherine R. Kinney and Edward Zander, each of whom is a non-employee member of our board of directors. Ms. Kinney is the chairperson of our nominating and governance committee. Our board of directors has determined that each member of our nominating and governance committee satisfies the requirements for independence under the applicable rules of the New York Stock Exchange. To the extent necessary or appropriate, the nominating and governance committee, among other things:

assists our board of directors in identifying prospective director nominees and recommends nominees for each annual meeting of stockholders to the board of directors;

reviews developments in corporate governance practices and develops and recommends governance principles applicable to our board of directors;

oversees the evaluation of our board of directors and management;

recommends members for each board committee to our board of directors; and

reviews and monitors our code of ethics and actual and potential conflicts of interest of members of our board of directors and officers.

Corporate Development Committee

Our corporate development committee was established by the board of directors in 2013, and is comprised of Deborah Farrington, Steven J. Gomo, and Edward Zander, each of whom is a non-employee member of our board of directors. Mr. Zander is the chairperson of our corporate development committee. Our board of directors has determined that each member of our corporate development committee satisfies the applicable requirements for independence. To the extent necessary or appropriate, the corporate development committee, among other things:

evaluates and investigates various strategic issues and corporate development opportunities identified by our board of directors;

assesses our long-term business plans and our ongoing investment in areas strategic to our interests; and

evaluates potential mergers and acquisitions and assists management in developing approaches and processes regarding such initiatives.

Board Meetings and Attendance

The board held five meetings during the year ended December 31, 2015. Each director attended at least 75% of the aggregate number of the meetings of the board and of the committees on which he or she served during the period in 2015 for which he or she was a director or committee member, respectively. The following table sets forth the standing committees of the board, the number of meetings held by each

committee in 2015 and the membership of each committee during the year ended December 31, 2015.

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Messrs. Nelson, Goldberg, Beane, and McGeever are omitted from the table below as they were not members of any of the standing committees of the board during the year ended December 31, 2015.

Name	Audit	Compensation	Nominating & Governance	Corporate Development
Catherine R. Kinney	Member		Chair	
Deborah Farrington	Member	Chair	Member	Member
Kevin Thompson	Member	Member		
Edward Zander		Member	Member	Chair
Steven J. Gomo	Chair			Member
Number of Meetings held in 2015	8	9	3	5
<i>Director Attendance at Annual Stockholder Meetings</i>				

Directors are encouraged, but not required, to attend our Annual Stockholder Meeting. Each of Messrs. Nelson, Goldberg, Beane, Thompson, Zander, and Gomo and Mses. Farrington and Kinney attended the 2015 Annual Meeting of Stockholders. Mr. McGeever was not a member of the board on the date of our 2015 Annual Meeting of Stockholders.

Corporate Governance

Risk Oversight

Our senior management team is responsible for managing the Company's risk, and utilizes an enterprise risk management council consisting of a cross-functional team of senior functional area managers to assist management with risk assessment and mitigation planning. The enterprise risk management council also utilizes an independent, third party, risk management consulting firm and our internal audit department to assist with, advise on, and enhance the Company's risk management process.

Our board of directors as a whole provides oversight over the Company's enterprise risk management program. In performing this oversight, the board of directors focuses on what management and the board believe are the most significant risks, based upon a risk and mitigation assessment. The board of directors utilizes its committees, as appropriate, to assist the full board in carrying out this risk management oversight. At the request of the board of directors, the committees regularly review reports from management on top risks and related mitigation on approximately a quarterly basis, and provide reports to the full board. The audit committee of the board of directors, as required under its charter, inquires of, and provides oversight over, management and the Company's independent auditor concerning significant financial risk or exposures and the steps management has taken to minimize those risks. The audit committee also oversees the internal audit function. The compensation committee and audit committee assist the full board in assessing compensation risks. The nominating and governance committee provides oversight over management and governance risk, including through its and the full board's oversight of the succession planning process.

Our board of directors receives quarterly committee reports from each of the standing committees of the board of directors that are required by the New York Stock Exchange, and periodic reports from the corporate development committee. These reports assist the board in overseeing Company's enterprise risk management. Our board of directors and its committees also consider and discuss with management the processes in place relating to enterprise risk management and potential changes to such processes to be made in the future. Additional review or reporting of enterprise risks is conducted as needed or as requested by the board or any of its committees.

Board Independence

Our board of directors has undertaken a review of the independence of the directors and considered whether any director had a material relationship with us that could compromise his or her ability to exercise independent judgment in carrying out his or her responsibilities. As a result of this review, our board of directors determined that William Beane III, Deborah Farrington, Steven J. Gomo, Catherine R. Kinney, Kevin Thompson and Edward Zander, representing all of our non-employee directors and six of our nine

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total directors, are "independent directors" as defined under the applicable rules of the New York Stock Exchange, constituting a majority of independent directors of our board of directors as required by the rules of the New York Stock Exchange.

Board Leadership Structure

The board recognizes that one of its significant responsibilities is to evaluate and determine its optimal leadership structure so as to provide independent oversight of management. The board also recognizes that there is no single accepted approach for such structure. As a result, the board does not have a policy on whether or not the roles of the chairman of the board and chief executive officer should be separate. The board believes it should be free to determine what is best for the Company at a given point in time. Furthermore, if the chairman of the board is an employee, the board will appoint an independent director as the "lead independent director."

Evan Goldberg, our founder and chief technology officer, is currently serving as our chairman of the board. Because Mr. Goldberg is an employee of the Company and is therefore not independent, the nominating and governance committee has appointed Deborah Farrington as our "lead independent director." The lead independent director is responsible for coordinating the activities of the independent directors, chairing executive sessions of the independent directors, reviewing and overseeing the board agenda and leading the board in connection with matters that require a leader other than the chairman. Executive sessions of independent directors are generally held in connection with each regularly scheduled in-person board meeting and at other times as necessary. The board of directors' policy is to hold executive sessions without the presence of management, including the chief executive officer and other non-independent directors. The audit committee and the compensation committee of the board of directors also generally meet in executive session at least on a quarterly basis and the nominating and governance committee and corporate development committee generally meet in executive session on at least an annual basis and at other times as necessary.

In considering its leadership structure, the board has taken a number of factors into account. The board which consists of a substantial majority of independent directors who are highly qualified and experienced exercises a strong, independent oversight function. This oversight function is enhanced by the fact that the audit, compensation and nominating and governance committees are comprised entirely of independent directors. Further, as discussed above, the board has designated one of its independent members as "lead independent director" with significant responsibilities. Based on these factors, the board believes that this leadership structure provides us with strong and consistent leadership and appropriate oversight.

Corporate Governance Guidelines and Code of Ethics

Our management and our board of directors regularly review and evaluate our corporate governance practices. The board of directors has adopted corporate governance guidelines that address the composition of and policies applicable to the board of directors. Our board of directors has adopted a code of ethics for our principal executive and senior financial officers. The code applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. Any substantive amendments to or waivers of the code of ethics relating to the executive officers or directors of the Company will be disclosed promptly on our website. Our corporate governance guidelines and our code of ethics are available on our corporate website at www.netsuite.com under the headings "Company/Investors/Corporate Governance" or in print by contacting Investor Relations at our principal executive offices.

Under our corporate governance guidelines, a director appointed by our board to fill a vacancy must stand for election at our next annual meeting of stockholders, regardless of whether the other directors in the same class as the newly appointed director are standing for election at such annual meeting. In addition, our corporate governance guidelines provide that no director on our board may serve on the board of directors of more than three publicly traded companies in addition to our board. Finally, our corporate governance guidelines now contain equity ownership guidelines for our executive officers and non-employee

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directors. See the sections titled "Executive Compensation; Compensation Discussion and Analysis; Other Compensation Policies" and "Director Compensation; Equity Awards" for a description of these equity ownership guidelines.

Whistleblower Procedures

In accordance with the Sarbanes-Oxley Act of 2002, we have established procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters and for the confidential, anonymous submission of concerns regarding accounting or auditing matters. If an individual has a concern regarding questionable accounting, internal accounting controls or auditing matters, or the reporting of fraudulent financial information, such individual may report their concern by sending a letter (which may be anonymous at the discretion of the reporting person), to us at our principal executive offices to the attention of the general counsel or, if such individual is uncomfortable reporting to the general counsel, to the attention of the chairman of the audit committee. Individuals may also report their concerns by telephone or online (which may be anonymous at the discretion of the reporting person) by using our ethics reporting system available on our Intranet website.

Director Nomination Procedures

The nominating and governance committee will consider director candidates recommended by stockholders. In considering candidates submitted by stockholders, the nominating and governance committee will take into consideration the needs of the board and the qualifications of the candidate. The nominating and governance committee may also take into consideration the number of shares held by the recommending stockholder and the length of time that such shares have been held. To have a candidate considered by the nominating and governance committee, a stockholder must submit the recommendation in writing and must include the following information:

the name of the stockholder and evidence of the person's ownership of our stock, including the number of shares owned and the length of time of ownership;

the name of the candidate, the candidate's resume or a listing of his or her qualifications to be a director of the Company; and

the written consent of the proposed candidate to be named as a nominee and to serve as a director if elected.

The stockholder recommendation and information described above must be sent to the corporate secretary at our principal executive offices and must be received by the corporate secretary not less than 90 days or more than 120 days prior to the anniversary date of our most recent annual meeting of stockholders. If the date of our annual meeting changes by more than 30 days from the anniversary of the prior year's annual meeting then the stockholder recommendation and information described above must be received by the corporate secretary not later than the close of business on the tenth (10th) day following the day on which notice of the date of the annual meeting was mailed or public disclosure of the date of the meeting was made, whichever occurs first.

The nominating and governance committee believes that the minimum qualifications for serving as a director are that a nominee demonstrate, by significant accomplishment in his or her field, an ability to make a meaningful contribution to the board's oversight of the business and affairs of NetSuite and have an impeccable record and reputation for honest and ethical conduct in both his or her professional and personal activities. In addition, the nominating and governance committee examines a candidate's specific experiences and skills, relevant industry background and knowledge, time availability in light of other commitments, potential conflicts of interest, interpersonal skills and compatibility with the board, ability to complement the competency and skills of the other board members and independence from management and the Company. The nominating and governance committee also seeks to have the board represent a diversity of backgrounds and experience.

Among other attributes, the nominating and governance committee may consider a director candidate's diversity of background and personal experience. In this context, diversity may encompass a candidate's

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particular race, ethnicity, national origin and gender, geographic residency, educational and professional history, community or public service, expertise or knowledge base and/or other tangible and intangible aspects of the candidate's background in relation to the personal characteristics of current directors and other potential director candidates. The nominating and governance committee does not have a formal policy specifying how diversity of background and personal experience should be applied in identifying or evaluating director candidates, and a candidate's background and personal experience, while important, does not necessarily outweigh other attributes or factors the nominating and governance committee may consider in evaluating any particular candidate.

The nominating and governance committee identifies potential nominees through independent research and through consultation with current directors and executive officers and other professional colleagues. The nominating and governance committee looks for persons meeting the criteria above. The nominating and governance committee also, from time to time, in its discretion, may engage firms that specialize in identifying director candidates. As described above, the nominating and governance committee will also consider candidates recommended by stockholders.

Once a person has been identified by the nominating and governance committee as a potential candidate, the committee may collect and review publicly available information regarding the person to assess whether the person should be considered further. If the nominating and governance committee determines that the candidate warrants further consideration by the committee, the chairman or another member of the committee would contact the person. Generally, if the person expresses a willingness to be considered and to serve on the board, the nominating and governance committee requests information from the candidate, reviews the person's accomplishments and qualifications, including in light of any other candidates that the committee might be considering. The nominating and governance committee members and other board members may also conduct one or more interviews with the candidate, either in person, telephonically or both. In certain instances, nominating and governance committee members or other board members may contact one or more references provided by the candidate or may contact other members of the business community or other persons that may have greater first-hand knowledge of the candidate's accomplishments. The Company also conducts a background check prior to appointing any new board members. The nominating and governance committee's evaluation process does not vary based on whether or not a candidate is recommended by a stockholder, although, as stated above, the nominating and governance committee may take into consideration the number of shares held by the recommending stockholder and the length of time that such shares have been held.

Communications with Directors

Our board of directors encourages stockholders or other interested parties who are interested in communicating directly with our independent directors as a group to do so by writing to the independent directors in care of our Secretary. Stockholders and interested parties may each send communications by mail to: Secretary, NetSuite Inc., 2955 Campus Drive, Suite 100, San Mateo, CA 94403-2511. Interested party correspondence addressed to our independent directors will be reviewed by our Secretary or his or her designee, who will forward to our independent directors all correspondence that, in the opinion of our Secretary, deals with the functions of the board or committees thereof or that our Secretary otherwise determines is appropriate to be sent to them.

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PROPOSAL 2

APPROVAL OF THE 2016 EQUITY INCENTIVE PLAN

The stockholders are being asked to approve a new equity incentive plan, the 2016 Equity Incentive Plan (the "2016 Plan"). Based on the compensation committee's recommendation, our board of directors adopted the 2016 Plan on April 28, 2016, subject to approval from our stockholders at our 2016 Annual Meeting. If our stockholders approve the 2016 Plan, the 2016 Plan will replace our 2007 Equity Incentive Plan (the "2007 Plan") and will continue in effect until 2026 (unless earlier terminated by the 2016 Plan's administrator, as defined below), and we will cease granting awards under the 2007 Plan once the 2016 Plan is approved by our stockholders.

Reasons for Voting for Approval of the 2016 Plan

The 2016 Plan Will Allow Us to Continue Attracting and Retaining the Best Talent

Our 2007 Plan is scheduled to expire in June 2017. Our board of directors believes that our success depends on the ability to attract and retain the best available personnel and that the ability to grant equity awards is crucial to recruiting and retaining the services of such individuals. In addition, our board of directors believes that equity awards align the interests of employee and other service providers and stockholders by giving employees and other service providers an ownership stake in the company, motivate them to achieve outstanding performance, and provide an effective means of rewarding them for their contributions to our success. If stockholders do not approve the 2016 Plan at the 2016 Annual Meeting, we will be unable to continue our equity incentive program after our 2007 Plan expires in June 2017, which could prevent us from successfully attracting and retaining highly skilled employees and other service providers.

A Reasonable Number of Shares Will Be Reserved Under the 2016 Plan

If our stockholders approve the 2016 Plan, a total of 10,368,946 shares of our common stock ("Shares") will be reserved for issuance under the 2016 Plan (plus any Shares subject to outstanding equity awards granted under our 1999 Stock Plan (the "1999 Plan") or our 2007 Plan that are added to the 2016 Plan, as described in the summary of the 2016 Plan below). We anticipate that these Shares will be enough to meet our expected needs for the next three years. The compensation committee and our board of directors considered the following when determining the number of Shares to reserve for issuance under the 2016 Plan:

Number of Shares Remaining under the 2007 Plan. As of April 1, 2016, the number of Shares that remained available for issuance under the 2007 Plan was 6,704,091 plus any Shares subject to outstanding equity awards granted under our 2007 Plan that return to the 2007 Plan under the 2007 Plan's terms. Any shares made subject to new awards granted under the 2007 Plan between April 1, 2016 and the date the Plan is approved by our stockholders will reduce the shares available for issuance under the Plan. As of the same date, the outstanding equity awards under the 2007 Plan covered a total of 6,648,029 Shares, which consists of (i) 2,001,124 shares subject to outstanding options, with a weighted average exercise price of \$72.65, and a weighted term of 7.22 years and (ii) 4,646,905 shares subject to outstanding awards of RSUs and PSUs.

Overhang. As of April 1, 2016, 6,648,029 Shares were subject to outstanding equity awards under our 1999 Plan and 2007 Plan and 6,704,091 Shares were available for future awards under our 2007 Plan (which includes the 2,962,735 shares of our common stock added to the 2007 Plan from our annual evergreen on January 1, 2016). This represents approximately 16.6% of the outstanding Shares as of April 25, 2016.

Historical Grant Practices. The compensation committee and our board of directors considered the number of equity awards that we granted in the last three fiscal years. In 2013, 2014, and 2015, we granted equity awards covering 1,911,003, 2,042,032, and 2,014,632 Shares, respectively, for a total of approximately 5,967,667 Shares over that three-year period.

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Forecasted Grants. In projecting the rate we will issue Shares under the 2016 Plan, the compensation committee and our board of directors reviewed a forecast that considered the following factors: (i) the Shares that would be available for grant under the 2016 Plan (including the estimated number of Shares to be added to the 2016 Plan from outstanding awards under the 1999 Plan and 2007 Plan and (ii) forecasted future grants, determined based on our stock price and the competitive dollar value to be delivered to the participant. Because we determine the size of equity awards to be granted based on such value, if our stock price on the date the award is granted is significantly different from the stock price assumed in the forecast (which was \$87.00), our actual share usage will deviate significantly from our forecasted share usage. For example, if our stock price on the date an award is granted is significantly lower than the stock price assumed in the forecast, we would need a larger number of Shares than anticipated to deliver the same value to participants.

Proxy Advisory Firm Guidelines. In light of our significant institutional stockholder base, the compensation committee and our board of directors considered proxy advisory firm guidelines.

If our stockholders approve the 2016 Plan, we expect that the share reserve under the 2016 Plan will allow us to continue to grant equity-based compensation at levels we deem appropriate for the next three years, and that we will not have to restructure our existing compensation programs for reasons that are not directly related to the achievement of our business objectives. To remain competitive without equity-based compensation arrangements, it likely will be necessary to replace components of compensation previously awarded in equity with cash. We do not believe increasing cash compensation to make up for any shortfall in equity compensation would be practical or advisable, because we believe that a combination of equity awards and cash compensation provide a more effective compensation strategy than cash alone for attracting, retaining and motivating our employees long-term and aligning employees' and stockholders' interests. In addition, any significant increase in cash compensation in lieu of equity awards could substantially increase our operating expenses and reduce our cash flow from operations, which could adversely affect our business results and could adversely affect our business strategy, including using cash flow for strategic acquisitions, research and development of innovative new products, and improvements in the quality and performance of existing products.

The 2016 Plan Is Less Dilutive to Stockholders than the 2007 Plan

No Annual "Evergreen" Provision. The 2016 Plan reserves a fixed number of Shares, which means that stockholder approval is required to increase the maximum number of Shares reserved under the 2016 Plan. Unlike the 2007 Plan, the 2016 Plan does not contain an annual "evergreen" provision that automatically increases the number of Shares available for issuance each year.

Full Value Awards Count 2.00 Times Against the Share Reserve. For purposes of determining the number of Shares that remain available for issuance under or are returned to the 2016 Plan's share reserve, Shares subject to awards under the 2016 Plan other than stock options, stock appreciation rights, and other awards based solely on an increase in value of the Shares following the date of grant will count as 2.00 Shares for every one share subject to the award. In contrast, each share subject to similar awards under the 2007 Plan count as one share for purposes of determining the number of Shares that remain available for issuance under or are returned to the 2007 Plan's share reserve.

Certain Shares Are No Longer Returned to the Share Reserve. Shares used to pay the exercise price of an award or to satisfy the tax withholding obligations for awards will not become available for future grant under the 2016 Plan. Under the 2007 Plan, such Shares would become available for future grant.

The 2016 Plan Gives Us the Ability to Fully Deduct Certain Performance-based Awards for Federal Income Tax Purposes

Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code") generally denies us a corporate tax deduction for annual compensation exceeding \$1 million paid to our chief executive officer and other "covered employees," as determined under Section 162(m) of the Code ("Section 162(m)") and

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applicable guidance. However, certain types of compensation, such as performance-based compensation, are generally excluded from this deductibility limit.

The 2016 Plan is designed to enable (but not require) us to grant equity awards that qualify as fully deductible performance-based compensation under Section 162(m) by setting limits on the size of awards that may be granted under the 2016 Plan to employees in a single year, as further described below. If our stockholders approve the 2016 Plan, they will be approving these limits, the eligibility requirements for participation in the 2016 Plan, the performance measures upon which specific performance goals for certain awards would be based, and the other material terms necessary to grant awards under the 2016 Plan that qualify as performance-based compensation under Section 162(m).

We are not, however, required to structure equity award grants to qualify as performance-based compensation under Section 162(m), and the 2016 Plan gives NetSuite the flexibility to grant equity awards that do not qualify as performance-based compensation under Section 162(m).

The 2016 Plan Includes Compensation and Governance Best Practices

The 2016 Plan includes provisions that are considered best practice for compensation and corporate governance purposes. These provisions protect our stockholders' interests, as follows:

No Annual Evergreen. The 2016 Plan does not contain an annual "evergreen" provision that automatically increases the number of Shares available for issuance each year. As a result, any future increases to the number of shares reserved for issuance under the 2016 Plan will require approval from our stockholders. This is a change from the 2007 Plan, which included an annual "evergreen."

Administration. The 2016 Plan will be administered by the compensation committee, which consists entirely of independent non-employee directors.

Repricing or Exchange Programs are Not Allowed. The 2016 Plan does not permit outstanding awards to be repriced or exchanged for other awards. The 2007 Plan permitted repricing or exchange programs to be made without prior stockholder approval.

Annual Limits on Awards to Non-Employee Directors. The 2016 Plan sets reasonable, annual limits as to the awards that non-employee directors may receive during each fiscal year. The 2007 Plan did not set any specific limits for non-employee directors.

Minimum Vesting Requirements. Any option or stock appreciation right granted under the 2016 Plan generally cannot vest before the one year from the date of grant unless the vesting of such award is accelerated due to a termination of the participant's service under certain circumstances, due to the participant's death or disability, or upon a "Change in Control" (as defined in the 2016 Plan). However, an option or stock appreciation right may be granted without regard to this limitation as long as the shares subject to the award would not represent more than 5% of the Shares subject to all outstanding options and stock appreciation rights under the 2016 Plan as of the grant date. The 2007 Plan does not impose any minimum vesting limitations.

No Single-Trigger Vesting Acceleration upon a Change in Control. Awards under the 2016 Plan will be treated in a Change in Control in the manner determined by the administrator, and the terms of the 2016 Plan provide for an award to vest upon a Change in Control only if the award is not assumed or substituted. For any award that vests in whole or in part based on the achievement of performance goals or other performance-based vesting criteria, those goals or criteria will be deemed achieved at 100% of target levels, but prorated based on the portion of the performance period that has elapsed as of immediately prior to the Change in Control.

Limited transferability. Awards under the 2016 Plan generally may not be sold, assigned, transferred, pledged, or otherwise encumbered, unless otherwise approved by the administrator.

No Tax Gross-ups. The 2016 Plan does not provide for any tax gross-ups.

Forfeiture Events. Each award under the 2016 Plan will be subject to any clawback policy of ours, and the administrator may require a participant to forfeit, return, or reimburse us for all or a portion of

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the award and any amounts paid under the award in order to comply with the applicable clawback policy or applicable laws. We intend to adopt clawback policy covering our annual and long-term incentive award plans and arrangements once the SEC adopts final rules implementing the requirement of Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Our executive officers and directors have an interest in the approval of the 2016 Plan because they are eligible to receive equity awards under the 2016 Plan.

Summary of the 2016 Plan

The following paragraphs provide a summary of the principal features of the 2016 Plan and its operation. However, this summary is not a complete description of all of the provisions of the 2016 Plan and is qualified in its entirety by the specific language of the 2016 Plan. A copy of the 2016 Plan is provided as Appendix A to this proxy statement.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE "FOR" THE APPROVAL OF THE 2016 PLAN AND THE NUMBER OF SHARES RESERVED FOR ISSUANCE THEREUNDER.

Purposes of the 2016 Plan

The purposes of the 2016 Plan are to attract and retain the best available personnel; to provide additional incentive to employees, directors, and consultants; and to promote the success of our business. These incentives are provided through the grant of stock options, stock appreciation rights, restricted stock, restricted stock units, performance units, and performance shares as the plan administrator (as defined below) may determine.

Shares Available for Issuance

Subject to the adjustment provisions contained in the 2016 Plan, our stockholders are being asked to approve a number of Shares for issuance under the 2016 Plan equal to the sum of (i) 10,368,946 Shares, and (ii) any Shares subject to outstanding stock options, restricted stock units, performance shares, performance units, or similar awards that were previously granted under the 1999 Plan or the 2007 Plan that, on or after the date the 2016 Plan is approved by our stockholders, expire or otherwise terminate without having been exercised in full, or that are forfeited to or repurchased by us, with the maximum number of Shares to be added from outstanding awards granted under the 1999 Plan and the 2007 Plan equal to 6,648,029 Shares. The Shares may be authorized, but unissued, or reacquired common stock. Any shares made subject to new awards granted under the 2007 Plan between April 1, 2016 and the date the Plan is approved by our stockholders will reduce the shares available for issuance under the Plan.

If any award granted under the 2016 Plan expires or becomes unexercisable without having been exercised in full or is forfeited to or repurchased by us due to failure to vest, then the expired, unexercised, forfeited, or repurchased Shares subject to such award will become available for future grant or sale under the 2016 Plan. With respect to the exercise of stock appreciation rights, the gross Shares issued pursuant to a stock appreciation right will cease to be available under the 2016 Plan. Shares used to pay the exercise price of an award or to satisfy the tax withholding obligations related to an award will not become available for future grant or sale under the 2016 Plan. If an award is paid out in cash rather than Shares, such payment will not reduce the number of Shares available for issuance under the 2016 Plan.

For purposes of determining the number of Shares that remain available for issuance under the 2016 Plan and the number of Shares returned to the 2016 Plan's share reserve, each share subject to an award other than an option, a stock appreciation right, or any other award that is based solely on an increase in value of the Shares following the grant date will count as 2.00 shares.

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Limitation

The 2016 Plan contains annual grant limits intended to satisfy Section 162(m). Specifically, the maximum number of Shares covered by or the maximum initial value of awards that can be issued to any particular employee or consultant under the 2016 Plan in any fiscal year is set forth below:

Award Type	Annual Number of Shares or Dollar Value
Stock Options	Maximum of 2,500,000 Shares (increased to 4,500,000 Shares in the fiscal year the participant's service begins)
Stock Appreciation Rights	Maximum of 2,500,000 Shares (increased to 4,500,000 Shares in the fiscal year the participant's service begins)
Restricted Stock	Maximum of 1,000,000 Shares (increased to 2,000,000 Shares in the fiscal year the participant's service begins)
Restricted Stock Units	Maximum of 1,000,000 Shares (increased to 2,000,000 Shares in the fiscal year the participant's service begins)
Performance Shares	Maximum of 1,000,000 Shares (increased to 2,000,000 Shares in the fiscal year the participant's service begins)
Performance Units	Maximum initial value of \$3,000,000 (increased to \$5,500,000 in the fiscal year the participant's service begins)

The 2016 Plan also provides that in any fiscal year, a non-employee board member may not be granted awards with a grant date fair value (determined in accordance with GAAP) exceeding \$900,000 (increased to \$1,200,000 in the fiscal year his or her service as a non-employee director begins). Any award granted to a participant while he or she was an employee or a consultant (other than a non-employee director) will not count for purposes of this limitation.

In the event of any dividend or other distribution (whether in the form of cash, Shares, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of Shares or other securities or other change in the corporate structure affecting our common stock, the 2016 Plan administrator, in order to prevent diminution or enlargement of the benefits or potential benefits intended to be made available under the 2016 Plan, will adjust the number and class of shares that may be delivered under the 2016 Plan, and/or the number, class and price of shares of stock subject to outstanding awards, and the award grant limitations discussed above.

Administration

Our board of directors has delegated administration of the 2016 Plan to the compensation committee. Our board of directors and the compensation committee may further delegate administration of the 2016 Plan to any committee of our board of directors, or a committee of individuals satisfying applicable laws appointed by our board of directors in accordance with the terms of the 2016 Plan. For purposes of this summary of the 2016 Plan, the term "administrator" will refer to our board of directors or any committee designated by our board of directors to administer the 2016 Plan. To make grants to certain officers and key employees, the members of the committee must qualify as "non-employee directors" under Rule 16b-3 of the Securities Exchange Act of 1934, as amended. In the case of awards intended to qualify for the performance-based compensation exemption under Section 162(m), administration must be by a committee comprised solely of two or more "outside directors" within the meaning of Section 162(m).

Subject to the terms of the 2016 Plan, the administrator has the sole discretion to select the service providers who will receive awards; to determine the terms and conditions of awards; and to approve forms of award agreements for use with the 2016 Plan; to modify or amend each award (subject to the repricing restrictions of the 2016 Plan), including to accelerate vesting or waive forfeiture restrictions, and to interpret the provisions of the 2016 Plan and outstanding awards. The administrator may allow a participant to defer the receipt of payment of cash or delivery of Shares that otherwise would be due to such participant. The administrator may make rules and regulations relating to sub-plans established for the purpose of satisfying applicable foreign laws and may make all other determinations deemed necessary or advisable for

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administering the 2016 Plan. The administrator will issue all awards pursuant to the terms and conditions of the 2016 Plan.

The Administrator may not implement a program allowing for the cancellation of awards in exchange for different awards and/or cash, the transfer of an outstanding award to a financial institution or other person or entitled selected by the administrator, or the increase or reduction of the exercise price of any outstanding award.

Eligibility

All types of awards may be granted to our non-employee directors and to employees and consultants of any parent, subsidiary, or affiliate corporation of ours. Incentive stock options may be granted only to employees of NetSuite or any parent or subsidiary corporation of NetSuite. As of March 31, 2016, we had approximately 4,683 employees (including three employee directors), 6 non-employee directors, and 2 consultants.

Stock Options

An option gives a participant the right to purchase a specified number of Shares for a fixed exercise price during a specified period of time. Each option granted under the 2016 Plan will be evidenced by an award agreement specifying the number of Shares subject to the option and the other terms and conditions of the option, consistent with the requirements of the 2016 Plan.

The exercise price per share of each option may not be less than the fair market value of a share of our common stock on the date of grant. However, any incentive stock option granted to a person who at the time of grant owns stock possessing more than 10% of the total combined voting power of all classes of our stock or any parent or subsidiary corporation of ours (a "ten percent stockholder") must have an exercise price per share equal to at least 110% of the fair market value of a share on the date of grant. The aggregate fair market value of the shares (determined on the grant date) covered by incentive stock options which first become exercisable by any participant during any calendar year also may not exceed \$100,000. The fair market value of the common stock is generally the closing sales price of our stock as reported on the New York Stock Exchange.

Options will be exercisable at such times or under such conditions as determined by the administrator and set forth in the award agreement, but an option granted under the 2016 Plan cannot become fully vested in less than one year from the date of grant unless the vesting of such option is accelerated due to a termination of the participant's service under certain circumstances, due to the participant's death or disability, or upon a Change in Control. However, an option may be granted without regard to this minimum vesting limitation as long as the shares subject to such option would not represent more than 5% of the Shares subject to all outstanding options and stock appreciation rights under the 2016 Plan.

Upon the termination of a participant's service, the unvested portion of the participant's option generally expires. The vested portion of the option will remain exercisable for the period following the participant's termination of service that was determined by the administrator and specified in the participant's award agreement, and if no such period was determined by the administrator, the vested portion of the option will remain exercisable for: (i) 3 months following a termination of the participant's service for reasons other than death or disability (and if the participant dies within the 3-month period, the period will be extended to one year from the date of the participant's death) or (ii) 12 months following a termination of the participant's service due to death or disability. However, if the exercise of an option is prevented by applicable law, the exercise period may be extended under certain circumstances described in the 2016 Plan. In no event will the option be exercisable after the end of the option's term.

The term of an option will be specified in the award agreement but may not be more than ten years (or five years for an incentive stock option granted to a ten percent stockholder).

The 2016 Plan provides that the administrator will determine the acceptable form(s) of consideration for exercising an option. An option will be deemed exercised when we receive the notice of exercise and full payment for the Shares to be exercised, together with applicable tax withholdings.

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Stock Appreciation Rights

A stock appreciation right gives a participant the right to receive the appreciation in the fair market value of our common stock between the date an award is granted and the date it is exercised. Upon exercise of a stock appreciation right, the holder of the award will be entitled to receive an amount determined by multiplying: (i) the difference between the fair market value of a share on the date of exercise and the exercise price by (ii) the number of exercised stock appreciation rights. We may pay the appreciation in cash, in Shares, or a combination of both. Each stock appreciation right granted under the 2016 Plan will be evidenced by an award agreement specifying the exercise price and the other terms and conditions of the award.

The exercise price per share of each stock appreciation right may not be less than the fair market value of a share of our common stock on the date of grant.

Stock appreciation rights will be exercisable at such times or under such conditions as determined by the administrator and set forth in the award agreement, but a stock appreciation right granted under the 2016 Plan cannot become fully vested in less than one year from the date of grant unless the vesting of such stock appreciation right is accelerated due to a termination of the participant's service under certain circumstances, due to the participant's death or disability, or upon a Change in Control. However, a stock appreciation right may be granted without regard to this limitation as long as the Shares subject to such stock appreciation right would not represent more than 5% of the Shares subject to all outstanding options and stock appreciation rights under the 2016 Plan.

The term of a stock appreciation right may not be more than ten years. The terms and conditions relating to the period of exercise of stock appreciation rights following the termination of a participant's service are similar to those for options described above.

Restricted Stock Awards

Awards of restricted stock are rights to acquire or purchase Shares that vest in accordance with the terms and conditions established by the administrator in its sole discretion. Unless otherwise provided by the administrator, a participant will forfeit any Shares of restricted stock that have not vested by the termination of the participant's service. Each restricted stock award granted will be evidenced by an award agreement specifying the number of Shares subject to the award and the other terms and conditions of the award. The administrator will determine the vesting conditions that apply to an award of restricted stock, but if an award of restricted stock is intended to qualify as performance-based compensation under Section 162(m), the vesting conditions will be based on a specified list of performance goals and certain other requirements, as further discussed below.

Unless the administrator provides otherwise, participants holding Shares of restricted stock will have voting rights and rights to dividends and other distributions with respect to such Shares without regard to vesting. However, such dividends or other distributions will be subject to the same restrictions and forfeitability provisions that apply to the Shares of restricted stock with respect to which they were paid. The administrator has the discretion to reduce or waive any restrictions and to accelerate the time at which any restrictions will lapse or be removed.

Restricted Stock Units

A restricted stock unit represent a right to receive cash or a share of our common stock if the performance goals or other vesting criteria set by the administrator are achieved or the restricted stock unit otherwise vests. Each award of restricted stock units granted under the 2016 Plan will be evidenced by an award agreement specifying the number of Shares subject to the award and other terms and conditions of the award.

The administrator may set vesting conditions based upon the achievement of company-wide, divisional, business unit or individual goals (including, but not limited to, continued employment or service), applicable federal or state securities laws, or any other basis determined by the administrator, in its discretion. However, if an award of restricted stock units is intended to qualify as performance-based compensation

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under Section 162(m), the vesting conditions will be based on a specified list of performance goals and certain other requirements, as further discussed below.

After an award of restricted stock units has been granted, the administrator has the discretion to reduce or waive any restrictions or vesting criteria that must be met to receive a payout or to accelerate the time at which any restrictions will lapse or be removed. A participant will forfeit any unearned restricted stock units upon termination of his or her service. The administrator in its sole discretion may pay earned restricted stock units in cash, Shares, or a combination of both.

Performance Units and Performance Shares

Performance units and performance shares are awards that will result in a payment to a participant only if performance goals established by the administrator are achieved or the awards otherwise vest. Performance units will have an initial value established by the administrator on or before the date of grant. Each performance share will have an initial value equal to the fair market value of a share on the grant date. Performance units and performance shares will result in a payment to a participant only if the performance goals or other vesting criteria set by the administrator are achieved or the awards otherwise vest.

Each award of performance units or performance shares granted under the 2016 Plan will be evidenced by an award agreement specifying the performance period and other terms and conditions of the award. The administrator may set vesting criteria based upon the achievement of company-wide, divisional, business unit or individual goals (including, but not limited to, continued employment or service), applicable federal or state securities laws, or any other basis determined by the administrator, in its discretion. However, if an award of performance shares or performance units is intended to qualify as performance-based compensation under Section 162(m), the vesting conditions will be based on a specified list of performance goals and certain other requirements, as further discussed below.

After an award of performance units or performance shares has been granted, the administrator has the discretion to accelerate, reduce or waive any performance objectives or other vesting provisions for such performance units or performance shares, but may not increase the amount payable at a given level of performance.

The administrator has the discretion to pay earned performance units or performance shares in the form of cash, Shares (which will have an aggregate fair market value equal to the earned performance units or performance shares at the close of the applicable performance period), or a combination of both.

A participant will forfeit any performance units or performance shares that have not been earned or have not vested as of the termination of his or her service with us.

Performance Goals

The granting and/or vesting of awards of restricted stock, restricted stock units, performance shares and performance units, and other incentives under the 2016 Plan may be made subject to the attainment of performance goals relating to one or more business criteria within the meaning of Section 162(m) and may provide for a targeted level or levels of achievement, including: stock price, revenue, profit, bookings, cash flow, customer retention, customer satisfaction, net bookings, net income, net profit, operating cash flow, operating expenses, total earnings; earnings per share, diluted or basic; earnings per share from continuing operations, diluted or basic; earnings before interest and taxes; earnings before interest, taxes, depreciation, and amortization; pre-tax profit; net asset turnover; inventory turnover; capital expenditures; net earnings; operating earnings; gross or operating margin; profit margin, debt; working capital; return on equity; return on net assets; return on total assets; return on capital; return on investment; return on sales; net or gross sales; market share; economic value added; cost of capital; change in assets; expense reduction levels; debt reduction; productivity; new product introductions; delivery performance; individual objectives; and total stockholder return. Any performance goals may be used to measure the performance of our company as a whole or, except with respect to stockholder return metrics, to a region, business unit, affiliate or business segment, and performance goals may be measured either on an absolute basis, a per share basis or relative to a pre-established target, to a previous period's results or to a designated comparison group, and, with

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respect to financial metrics, which may be determined in accordance with United States Generally Accepted Accounting Principles ("GAAP"), in accordance with accounting principles established by the International Accounting Standards Board ("IASB") or which may be adjusted when established to either exclude any items otherwise includable under GAAP or under IASB principles or include any items otherwise excludable under GAAP or under IASB principles. In all other respects, performance goals will be calculated in accordance with NetSuite's financial statements, generally accepted accounting principles, or under a methodology established by the administrator prior to or at the time of the issuance of an award and which is consistently applied with respect to a performance goal in the relevant performance period. In addition, the administrator will adjust any performance criteria, performance goal, or other feature of an award that relates to or is wholly or partially based on the number of, or the value of, any stock of NetSuite, to reflect any stock dividend or split, repurchase, recapitalization, combination, or exchange of shares or other similar changes in such stock. The performance goals may differ from participant to participant and from award to award.

To the extent necessary to comply with the performance-based compensation provisions of Section 162(m), with respect to any award granted subject to performance goals, and within the first 25% of the performance period and no more than 90 days following the commencement of the performance period (or such other time required or permitted by Section 162(m)), the administrator will, in writing: (i) designate one or more participants to whom an award will be made; (ii) select the performance goals applicable to the performance period; (iii) establish the performance goals, and amounts or methods of computation of the awards which may be earned for the performance period; and (iv) specify the relationship between performance goals and the amounts or methods of computation of such awards, as applicable, to be earned by each participant for such performance period. Following the completion of each performance period, the administrator will certify in writing whether the applicable performance goals have been achieved for such performance period. In determining the amounts earned by a participant, the administrator may reduce or eliminate (but not increase) the amount payable at a given level of performance to take into account additional factors that the administrator may deem relevant to the assessment of individual or corporate performance for the performance period. A participant will be eligible to receive payment pursuant to an award for a performance period only if the performance goals for such period are achieved.

Transferability of Awards

Awards generally are not transferable other than by will or by the laws of descent or distribution. However, the administrator may permit an award other than an incentive stock option to be assigned or transferred during a participant's lifetime (i) under a domestic relations order, official marital settlement agreement, or other divorce or separation agreement, (ii) to a "family member" (within the meaning of Form S-8 under the Securities Act of 1933, as amended) in connection with the participant's estate plan, or (iii) or as required by law.

Dissolution or Liquidation

In the event of a proposed dissolution or liquidation of our company, the administrator will notify each participant as soon as practicable prior to the effective date of such proposed transaction. An award will terminate immediately prior to consummation of such proposed action to the extent the award has not been previously exercised.

Change in Control

The 2016 Plan provides that, in the event of a merger or Change in Control, each award will be treated as the administrator determines, including that each award be assumed or substantially equivalent awards substituted by the acquiring or succeeding corporation or its affiliate. The administrator will not be required to treat all outstanding awards the same in the transaction.

If the successor corporation does not assume or substitute for the award, the participant will fully vest in and have the right to exercise all of his or her outstanding options and stock appreciation rights, all restrictions on restricted stock and restricted stock units will lapse. With respect to awards with

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performance-based vesting that are not assumed or substituted for, unless the applicable award agreement provides otherwise, all performance goals or other vesting criteria will be deemed achieved at target levels (prorated based on the portion of the performance period that has elapsed as of immediately prior to the transaction), and all other terms and conditions will be deemed met. In addition, if an option or stock appreciation right is not assumed or substituted for, the administrator will notify the participant in writing or electronically that the option or stock appreciation right will be exercisable for a period of time determined by the administrator, in its sole discretion, and the option or stock appreciation right will terminate upon the expiration of such period.

For awards granted to our non-employee directors that are assumed or substituted for in a merger or Change in Control, upon the termination of a non-employee director's service as a director of ours or the successor corporation (other than a voluntary resignation that is not made at the acquirer's request), then (i) the non-employee director will fully vest in and have the right to exercise all of his or her outstanding options and stock appreciation rights, (ii) all restrictions on the non-employee director's restricted stock and restricted stock units will lapse, and (iii) with respect to the non-employee director's awards with performance-based vesting, all performance goals or other vesting criteria will be deemed achieved at target levels (prorated based on the portion of the performance period that elapsed as of immediately prior to the transaction) and all other terms and conditions will be deemed met.

Forfeiture Events

Each award under the 2016 Plan will be subject to any clawback policy of ours, and the administrator also may specify in an award agreement that the participant's rights, payments, and benefits with respect to an award will be subject to reduction, cancellation, forfeiture, or recoupment upon the occurrence of certain specified events. The administrator may require a participant to forfeit, return, or reimburse us all or a portion of the award and any amounts paid under the award in order to comply with such clawback policy or applicable laws.

Termination or Amendment

The 2016 Plan will automatically terminate ten years from the date of its adoption by our board of directors, unless terminated at an earlier time by our board of directors. The administrator may amend, alter, suspend, or terminate the 2016 Plan at any time, provided that no amendment may be made without stockholder approval to the extent approval is necessary or desirable to comply with any applicable laws. No amendment, alteration, suspension, or termination may impair the rights of any participant unless mutually agreed otherwise between the participant and the administrator.

Summary of U.S. Federal Income Tax Consequences

The following summary is intended only as a general guide to the U.S. federal income tax consequences of participation in the 2016 Plan. The summary is based on existing U.S. laws and regulations as of the Record Date, and there can be no assurance that those laws and regulations will not change in the future. The summary does not purport to be complete and does not discuss the tax consequences upon a participant's death, or the provisions of the income tax laws of any municipality, state or foreign country in which the participant may reside. As a result, tax consequences for any particular participant may vary based on individual circumstances.

Incentive Stock Options

A participant recognizes no taxable income for regular income tax purposes as a result of the grant or exercise of an option that qualifies as incentive stock option under Section 422 of the Code. If a participant exercises the option and then later sells or otherwise disposes of the Shares acquired through the exercise the option after both the two-year anniversary of the date the option was granted and the one-year anniversary of the exercise, the participant will recognize a capital gain or loss equal to the difference between the sale price of the Shares and the exercise price, and we will not be entitled to any deduction for federal income tax purposes.

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However, if the participant disposes of such Shares either on or before the two-year anniversary of the date of grant or on or before the one-year anniversary of the date of exercise (a "disqualifying disposition"), any gain up to the excess of the fair market value of the Shares on the date of exercise over the exercise price generally will be taxed as ordinary income, unless the Shares are disposed of in a transaction in which the participant would not recognize a loss (such as a gift). Any gain in excess of that amount will be a capital gain. If a loss is recognized, there will be no ordinary income, and such loss will be a capital loss. Any ordinary income recognized by the participant upon the disqualifying disposition of the Shares generally should be deductible by us for federal income tax purposes, except to the extent such deduction is limited by applicable provisions of the Code.

For purposes of the alternative minimum tax, the difference between the option exercise price and the fair market value of the Shares on the exercise date is treated as an adjustment item in computing the participant's alternative minimum taxable income in the year of exercise. In addition, special alternative minimum tax rules may apply to certain subsequent disqualifying dispositions of the Shares or provide certain basis adjustments or tax credits for purposes.

Nonstatutory Stock Options

A participant generally recognizes no taxable income as the result of the grant of such an option. However, upon exercising the option, the participant normally recognizes ordinary income equal to the amount that the fair market value of the Shares on such date exceeds the exercise price. If the participant is an employee, such ordinary income generally is subject to withholding of income and employment taxes. Upon the sale of the Shares acquired by the exercise of a nonstatutory stock option, any gain or loss (based on the difference between the sale price and the fair market value on the exercise date) will be taxed as capital gain or loss. No tax deduction is available to us with respect to the grant of a nonstatutory stock option or the sale of the Shares acquired through the exercise of the nonstatutory stock option.

Stock Appreciation Rights

In general, no taxable income is reportable when a stock appreciation right is granted to a participant. Upon exercise, the participant generally will recognize ordinary income in an amount equal to the fair market value of any Shares received. Any additional gain or loss recognized upon any later disposition of the Shares would be capital gain or loss.

Restricted Stock Awards

A participant acquiring Shares of restricted stock generally will recognize ordinary income equal to the fair market value of the Shares on the vesting date. If the participant is an employee, such ordinary income generally is subject to withholding of income and employment taxes. The participant may elect, pursuant to Section 83(b) of the Code to accelerate the ordinary income tax event to the date of acquisition by filing an election with the Internal Revenue Service no later than thirty days after the date the Shares are acquired. Upon the sale of Shares acquired pursuant to a restricted stock award, any gain or loss, based on the difference between the sale price and the fair market value on the date the ordinary income tax event occurs, will be taxed as capital gain or loss.

Restricted Stock Unit Awards

There are no immediate tax consequences of receiving an award of restricted stock units. A participant who is awarded restricted stock units generally will be required to recognize ordinary income in an amount equal to the fair market value of Shares issued to such participant at the end of the applicable vesting period or, if later, the settlement date elected by the administrator or a participant. Any additional gain or loss recognized upon any later disposition of any Shares received would be capital gain or loss.

Performance Shares and Performance Unit Awards

A participant generally will recognize no income upon the grant of a performance share or a performance unit award. Upon the settlement of such awards, participants normally will recognize ordinary

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income in the year of receipt in an amount equal to the cash received and the fair market value of any cash or unrestricted Shares received. If the participant is an employee, such ordinary income generally is subject to withholding of income and employment taxes. Upon the sale of any Shares received, any gain or loss, based on the difference between the sale price and the fair market value on the date the ordinary income tax event occurs, will be taxed as capital gain or loss.

Section 409A

Section 409A provides certain requirements for non-qualified deferred compensation arrangements with respect to an individual's deferral and distribution elections and permissible distribution events. Awards granted under the 2016 Plan with a deferral feature will be subject to the requirements of Section 409A. If an award is subject to and fails to satisfy the requirements of Section 409A, the recipient of that award may recognize ordinary income on the amounts deferred under the award, to the extent vested, which may be prior to when the compensation is actually or constructively received. Also, if an award that is subject to Section 409A fails to comply with Section 409A's provisions, Section 409A imposes an additional 20% federal income tax on compensation recognized as ordinary income, as well as interest on such deferred compensation.

Tax Effect for NetSuite

We generally will be entitled to a tax deduction in connection with an award under the 2016 Plan in an amount equal to the ordinary income realized by a participant and at the time the participant recognizes such income (for example, the exercise of a nonstatutory stock option) except to the extent such deduction is limited by applicable provisions of the Code. Special rules limit the deductibility of compensation paid to our chief executive officer and other "covered employees" as determined under Section 162(m) and applicable guidance. Under Section 162(m), the annual compensation paid to any of these specified executives will be deductible only to the extent that it does not exceed \$1,000,000. However, we can preserve the deductibility of certain compensation in excess of \$1,000,000 if the conditions of Section 162(m) are met. These conditions include (among others) stockholder approval of the 2016 Plan and its material terms, setting limits on the number of awards that any individual may receive and for awards other than certain stock options and stock appreciation rights, establishing performance criteria that must be met before the award actually will vest or be paid. The 2016 Plan has been designed to permit (but not require) the plan administrator to grant awards that are intended to qualify as performance-based for purposes of satisfying the conditions of Section 162(m).

THE FOREGOING IS ONLY A SUMMARY OF THE EFFECT OF U.S. FEDERAL INCOME TAXATION UPON PARTICIPANTS AND NETSUITE WITH RESPECT TO AWARDS UNDER THE 2016 PLAN. IT DOES NOT PURPORT TO BE COMPLETE AND DOES NOT DISCUSS THE IMPACT OF EMPLOYMENT OR OTHER TAX REQUIREMENTS, THE TAX CONSEQUENCES OF A PARTICIPANT'S DEATH, OR THE PROVISIONS OF THE INCOME TAX LAWS OF ANY MUNICIPALITY, STATE, OR FOREIGN COUNTRY IN WHICH THE PARTICIPANT MAY RESIDE.

Number of Awards Granted to Employees, Consultants and Directors

The number of awards that an employee, director, or consultant may receive under the 2016 Plan is in the discretion of the administrator and therefore cannot be determined in advance. The following table sets forth: (i) the aggregate number of shares of common stock subject to options granted under the 2007 Plan during the fiscal year 2015 to each of our named executive officers; executive officers, as a group; directors who are not executive officers, as a group; and all employees who are not executive officers, as a group; (ii) the average per share exercise price of such options; (iii) the aggregate number of shares subject to RSUs and PSUs (at target) granted under the 2007 Plan during the fiscal year 2015 to each of our named executive officers; executive officers, as a group; directors who are not executive officers, as a group; and all

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employees who are not executive officers, as a group; and (iv) the grant-date value of shares subject to such RSUs and PSUs.

Name of Individual or Group	Number of Shares Subject to Options Granted(1)	Average Per Share Exercise Price of Option Grants	Number of Shares Subject to RSUs and PSUs Granted	Dollar Value of Shares Subject to RSUs and PSUs Granted(1)
Zachary Nelson <i>Chief Executive Officer and Director</i>	79,460	\$ 92.58	27,008	\$ 2,500,401
Evan Goldberg <i>Chief Technology Officer and Chairman of the Board</i>	37,481	\$ 92.58	12,740	\$ 1,179,469
James McGeever <i>President and Chief Operating Officer, and Director</i>	68,966	\$ 92.58	43,441	\$ 4,115,368
Ronald Gill <i>Chief Financial Officer</i>	31,484	\$ 92.58	10,701	\$ 990,699
Marc Huffman <i>President, Worldwide Sales and Distribution</i>	14,993	\$ 92.58	12,230	\$ 1,132,254
All executive officers, as a group	249,625	\$ 92.58	131,548	\$ 12,272,314
All directors who are not executive officers, as a group	17,208	\$ 91.07	13,182	\$ 1,200,485
All employees who are not executive officers, as a group	162,370	\$ 97.20	1,500,954	\$ 141,544,035

(1)

Reflects the aggregate grant date fair value of awards computed in accordance with ASC 718.

Vote Required and Board of Directors' Recommendation

The affirmative vote of a majority of the outstanding shares of common stock present in person or represented by proxy and entitled to vote on this proposal is required to approve the 2016 Plan.

RECOMMENDATION

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE APPROVAL OF THE 2016 EQUITY INCENTIVE PLAN.

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PROPOSAL 3
NON-BINDING ADVISORY VOTE ON NAMED EXECUTIVE COMPENSATION

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") enables our stockholders to vote to approve, on an advisory (nonbinding) basis, the compensation of our named executive officers as disclosed in this proxy statement in accordance with SEC rules. The Dodd-Frank Act also enables our stockholders to indicate how frequently they believe we should conduct this advisory vote on the compensation of our named executive officers. At our 2011 Annual Meeting of Stockholders, our stockholders voted to approve the option of once every three years for the frequency of the non-binding, advisory vote on the compensation of our named executive officers. We last sought stockholder approval of our executive compensation program on a non-binding, advisory basis in 2014 when our stockholders overwhelmingly approved the compensation of the named executive officers, with approximately eighty-three percent (83%) of stockholder votes cast in favor of our executive compensation program.

Although our next non-binding, advisory vote on the compensation of our named executive officers is not required to be held until 2017, we are asking our stockholders to indicate their support for our named executive officer compensation as described in this proxy statement. After careful consideration of this proposal, our board of directors has determined that conducting an advisory vote on the compensation of our named executive officers on an annual cycle is more appropriate for us.

Our executive officer compensation program is designed to attract and retain talented and qualified senior executives to manage and lead our Company and to motivate them to pursue and meet our corporate objectives. Under this program, our named executive officers are rewarded for individual and collective contributions to our success consistent with our "pay for performance" philosophy. Furthermore, the executive officer total compensation program is aligned with the nature and dynamics of our business, which focuses management on achieving our annual and long-term business strategies and objectives. Additional details about our executive compensation programs are described under the section titled "Compensation Discussion and Analysis."

Our compensation committee regularly reviews the executive officer compensation program to ensure that it achieves the desired goals of emphasizing long-term value creation and aligning the interests of management and stockholders through the use of equity-based awards.

This proposal, commonly known as a "say-on-pay" proposal, gives our stockholders the opportunity to express their views on our named executive officers' compensation. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers and the philosophy, policies and practices described in this proxy statement. Accordingly, we ask our stockholders to vote "FOR" the following resolution at the Annual Meeting:

"RESOLVED, that the Company's stockholders approve, on a non-binding, advisory basis, the compensation of the named executive officers, as disclosed in the Company's proxy statement for the 2016 Annual Meeting of Stockholders pursuant to the compensation disclosure rules of the SEC, including the Compensation Discussion and Analysis, the Summary Compensation Table and the other related tables and disclosure."

The "say-on-pay" vote is advisory, and therefore not binding on us, the compensation committee or our board of directors. Our board of directors and our compensation committee value the opinions of our stockholders and to the extent there is any significant vote against the named executive officer compensation as disclosed in this proxy statement, we will consider our stockholders' concerns and the compensation committee will evaluate whether any actions are necessary to address those concerns.

Vote Required and Board of Directors' Recommendation

The affirmative vote of a majority of the outstanding shares of common stock present in person or represented by proxy and entitled to vote on this proposal is required to approve the non-binding advisory vote on the compensation of our named executive officers.

RECOMMENDATION

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE
APPROVAL OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS,
ON A NON-BINDING, ADVISORY BASIS, AS DESCRIBED IN THIS PROXY STATEMENT
PURSUANT TO THE COMPENSATION DISCLOSURE RULES OF THE SEC.**

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PROPOSAL 4
NON-BINDING ADVISORY VOTE ON THE FREQUENCY OF THE
ADVISORY VOTE ON EXECUTIVE COMPENSATION

The Dodd-Frank Act enables our stockholders to indicate how frequently they believe we should conduct the advisory vote on the compensation of our named executive officers, as disclosed pursuant to the applicable SEC executive compensation disclosure rules, such as Proposal 3 included in this proxy statement. At our 2011 Annual Meeting of Stockholders, our stockholders voted to approve that the non-binding, advisory vote on the compensation of our named executive officers occur triennially. This Proposal 4 asks stockholders to approve that the non-binding, advisory vote on the compensation of our named executive officers occur annually.

After careful consideration of this proposal, our board of directors has determined that conducting an advisory vote on the compensation of our named executive officers on an annual cycle is the more appropriate for the Company, and therefore our board of directors recommends that you vote for an annual cycle for the non-binding, advisory vote on the compensation of our named executive officers.

In formulating its recommendation, our board of directors considered that an annual advisory vote on executive compensation will allow our stockholders to provide us with timely input on the compensation of our named executive officers as disclosed in the proxy statement. Our board of directors believes that it is consistent with our compensation philosophy of aligning the interests of our executive and stockholders, and in the best interests of our stockholders to give our stockholders the right to cast an advisory vote every year on their approval of the compensation arrangements of our named executive officers, allowing them to provide us on annual basis with their input on our executive compensation philosophy, policies, and practices as disclosed in the annual proxy statement.

Accordingly, we ask our stockholders to vote "FOR" the following resolution at the Annual Meeting:

"RESOLVED, that the Company is to annually hold a stockholder vote to approve, on an advisory basis, the compensation of the named executive officers, as disclosed pursuant to the SEC's compensation disclosure rules (which disclosure shall include the Compensation Discussion and Analysis, the Summary Compensation Table, and the other related tables and disclosure)."

If this proposal is approved by our stockholders, the advisory vote on the compensation of our named executive officers will be held on an annual basis. However, because this vote is advisory and not binding on the board of directors, compensation committee or the Company in any way, the board of directors may decide that it is in the best interests of our stockholders and the Company to hold an advisory vote on the compensation of our named executive officers less frequently than annually.

Vote Required and Board of Directors' Recommendation

The frequency of the non-binding advisory vote on executive compensation will be determined by which frequency receives the highest number of votes cast.

RECOMMENDATION

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "EVERY 1 YEAR" FOR THE NON-BINDING, ADVISORY VOTE ON THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS.

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PROPOSAL 5
RATIFICATION OF APPOINTMENT OF
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

On the recommendation of the audit committee, the board of directors has appointed KPMG LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2016. The board of directors recommends that stockholders vote for ratification of such appointment. In the event of a negative vote on such ratification, the board of directors will reconsider its selection, though a change will not necessarily be made. Even if the appointment is ratified, the audit committee may, in its discretion, direct the appointment of a different independent registered accounting firm at any time during the year if the audit committee determines that such a change would be in our stockholders' best interests.

KPMG LLP has audited our financial statements for the period beginning from December 31, 2005 to the fiscal year ended December 31, 2015. We expect representatives of KPMG LLP to be present at the Annual Meeting and available to respond to appropriate questions. They will also have the opportunity to make a statement if they desire to do so.

Audit and Non-Audit Fees

The following table sets forth fees billed for professional audit services and other services rendered to us by KPMG LLP during the fiscal years ended December 31, 2015 and 2014:

	2015(1)	2014(2)
Audit Fees(3)	\$ 1,989,538	\$ 1,491,385
Audit-Related Fees(4)	138,000	147,500
Tax Fees		
All Other Fees		
Total	2,217,538	1,638,885

(1) Includes \$14,800 for out-of-pocket expenses.

(2) Includes \$23,215 for out-of-pocket expenses.

(3) *Audit Fees* include fees for professional services rendered in connection with the audit of our annual financial statements included in our Form 10-K, the review of the financial statements included in our Form 10-Q, attestation-related services in connection with Section 404 of the Sarbanes-Oxley Act of 2002 and services that are normally provided by KPMG LLP in connection with statutory and regulatory filings or engagements for those fiscal years.

(4) *Audit-Related Fees* consist of fees for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements, including a SOC1 audit report.

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

It is the policy of our audit committee to pre-approve all audit and permissible non-audit services to be performed by KPMG LLP. Our audit committee pre-approves services by authorizing either generally or specifically projects within the categories outlined above, subject to budgeted amounts. To ensure prompt handling of unexpected matters, the audit committee delegates to the chair of the audit committee the authority to address any requests for pre-approval of services between audit committee meetings; provided, however, that such additional or amended services may not affect KPMG LLP's independence under applicable SEC rules. Any such pre-approval decisions that are made by the

chair of the audit committee must be reported to the audit committee at its next scheduled meeting.

All KPMG LLP services and fees in 2015 were pre-approved by the audit committee.

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Vote Required and Board of Directors' Recommendation

The affirmative vote of a majority of the outstanding shares of common stock present in person or represented by proxy and entitled to vote on this proposal is required to ratify the appointment of KPMG LLP as our independent registered public accounting firm.

RECOMMENDATION

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" RATIFICATION OF THE
APPOINTMENT OF KPMG LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING
FIRM.**

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REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The material in this report shall not be deemed to be (i) "soliciting material," (ii) "filed" with the SEC, (iii) subject to Regulations 14A or 14C of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or (iv) subject to the liabilities of Section 18 of the Exchange Act. This report shall not be deemed incorporated by reference into any of our other filings under the Exchange Act or the Securities Act of 1933, as amended (the "Securities Act"), except to the extent the Company specifically incorporates it by reference into such filing.

Role of the Audit Committee

The audit committee operates under a written charter originally adopted by the board of directors on April 11, 2007, which provides that its functions include the oversight of the quality of the Company's financial reports and other financial information and its compliance with legal and regulatory requirements, the appointment, compensation and oversight of the Company's independent registered public accounting firm including reviewing their independence, reviewing and approving the planned scope of the Company's annual audit, reviewing and pre-approving any non-audit services that may be performed by the Company's independent registered public accounting firm, reviewing with management and the Company's independent registered public accounting firm the adequacy of internal financial controls, overseeing and monitoring the Company's internal audit function, assisting with overseeing the Company's enterprise risk management program, and reviewing the Company's critical accounting policies and estimates, and the application of U.S. generally accepted accounting principles. The audit committee held eight (8) meetings during 2015.

The audit committee oversees the Company's financial reporting process on behalf of the board of directors. Management is responsible for the Company's internal controls, financial reporting process and compliance with laws and regulations and ethical business standards. The Company's independent registered public accounting firm is responsible for performing an independent audit of the Company's consolidated financial statements and an independent audit of the Company's internal control over financial reporting, both in accordance with the standards of the Public Company Accounting Oversight Board (United States). The audit committee's responsibility is to monitor and oversee this process.

Review of Audited Financial Statements for Fiscal Year Ended December 31, 2015

The audit committee reviewed and discussed the Company's audited financial statements for the fiscal year ended December 31, 2015 with management. The audit committee discussed with KPMG LLP the matters required to be discussed under the Public Company Accounting Oversight Board standards.

The audit committee received the written disclosures and the letter from KPMG LLP required by Public Company Accounting Oversight Board regarding KPMG LLP's communications with the Audit Committee concerning independence (Communication with Audit Committees Concerning Independence) and the audit committee has discussed with KPMG LLP its independence from the Company and its management.

The Company's management has established and the audit committee has reviewed and approved procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, including the confidential, anonymous submission by NetSuite employees, received through established procedures, of concerns regarding questionable accounting or auditing matters.

Based on the audit committee's review and discussions with management and KPMG LLP, the audit committee recommended to the board of directors that the Company's audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015 for filing with the Securities and Exchange Commission.

Members of the audit committee rely without independent verification on the information provided to them and on the representations made by management and the independent auditor. Accordingly, the audit committee oversight does not provide an independent basis to determine that management has maintained appropriate accounting and financial reporting principles or appropriate internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. Furthermore,

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the audit committee's considerations and discussions referred to above do not assure that the audit of the Company's financial statements has been carried out in accordance with the standards of the Public Company Accounting Oversight Board (United States), that the consolidated financial statements are presented in accordance with U.S. generally accepted accounting principles or that KPMG LLP is in fact "independent."

THE AUDIT COMMITTEE

Steven J. Gomo (Chair)

Deborah Farrington

Catherine Kinney

Kevin Thompson

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth certain information regarding beneficial ownership of our common stock as of February 29, 2016 by: (i) all those known by us to be beneficial owners of more than five percent of the outstanding shares of our common stock; (ii) each of our directors and director nominees; (iii) each executive officer named in the Summary Compensation Table below; and (iv) all directors and executive officers as a group. This table is based on information provided to us or filed with the SEC by our directors, executive officers and principal stockholders. Unless otherwise indicated in the footnotes below, and subject to community property laws where applicable, each of the named persons has sole voting and investment power with respect to the shares shown as beneficially owned.

Applicable percentage ownership is based on 80,247,430 shares of common stock outstanding at February 29, 2016. In computing the number of shares of common stock beneficially owned by a person and the percentage ownership of that person, we deemed to be outstanding all shares of common stock subject to options, warrants, RSUs or other convertible securities held by that person or entity that are currently exercisable or otherwise may be acquired within 60 days of February 29, 2016. We did not deem these shares outstanding, however, for the purpose of computing the percentage ownership of any other person.

Unless otherwise indicated, the address of each beneficial owner listed in the table below is c/o NetSuite Inc., 2955 Campus Drive, Suite 100, San Mateo, CA 94403-2511.

Name of Beneficial Owner	Shares Beneficially Owned			
	Common Shares Currently Held(a)	Common Shares That May Be Acquired Within 60 Days of February 29, 2016(1)(b)	Total Beneficial Ownership (a)+(b)	Percent of Class (%)(2)
5% Stockholders:				
Entities beneficially owned by Lawrence J. Ellison(3)	31,964,891		31,964,891	39.8
T. Rowe Price Associates, Inc.(4)	10,365,505		10,365,505	12.9
Capital World Investors(5)	7,450,170		7,450,170	9.3
Directors and Executive Officers:				
Zachary Nelson	773,097(6)	139,617	912,714	1.1
Evan Goldberg	2,122,984(7)	86,097	2,209,081	2.8
James McGeever	227,040	54,414	281,454	*
Ronald Gill	28,012	62,295	90,307	*
Marc Huffman		14,802	14,802	*
William Beane III	7,699	9,317	17,016	*
Deborah Farrington	6,313	30,321	36,634	*
Steven J. Gomo	4,072	14,036	18,108	*
Catherine R. Kinney	7,256	31,429	38,685	*
Kevin Thompson	4,847	9,909	14,756	*
Edward Zander	9,976(8)	55,429	65,405	*
All executive officers and directors as a group (12 persons)	3,207,873	551,224	3,759,097	4.6

*

Less than 1%.

(1)

Includes shares issuable upon exercise of outstanding options held by our directors and executive officers that are exercisable within 60 days of February 29, 2016. Also includes shares issuable within 60 days of February 29, 2016 upon vesting of RSUs or PSUs held by our directors and executive officers.

(2)

For each person and group included in this table, percentage ownership is calculated by dividing the number of shares beneficially owned by such person or group by the sum of 80,247,430 shares of

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common stock outstanding as of February 29, 2016 plus the number of shares of common stock that such person or group had the right to acquire within 60 days after February 29, 2016.

- (3) 31,964,891 shares are held by NetSuite Restricted Holdings LLC, the membership interests of which are beneficially owned by Lawrence J. Ellison through a revocable trust. The LLC operating agreement for NetSuite Restricted Holdings LLC includes various terms and restrictions with respect to future voting and disposition of the shares held by such entity. See the section titled "Certain Relationships and Related Transactions/Other Transactions with Our Significant Stockholders/Lawrence J. Ellison" for a description of these terms and restrictions. The address for NetSuite Restricted Holdings LLC is 505 Montgomery Street, 5th Floor, San Francisco, CA 94111. Excludes 1,146,120 shares held in trust for David Ellison and 2,222,239 shares held directly by David Ellison. Also excludes 1,576,334 shares held in trust for Margaret Ellison and 715,906 shares held directly by Margaret Ellison. Mr. Ellison and NetSuite Restricted Holdings LLC disclaim beneficial ownership of the excluded shares.
- (4) Based solely on the information reported in the Schedule 13G filed with the SEC by T. Rowe Price Associates, Inc. ("T. Rowe Price") on February 10, 2016. Consists of 10,365,505 shares beneficially held by T. Rowe Price, including 3,794,278 shares for which T. Rowe Price possesses sole voting power and 10,365,505 shares for which T. Rowe Price possesses sole dispositive power. The address for T. Rowe Price is 100 E. Pratt Street, Baltimore, Maryland 21202.
- (5) Based solely on the information reported in the Schedule 13G filed with the SEC by Capital World Investors. ("Capital World") on February 12, 2016. Consists of 7,450,170 shares beneficially held by Capital World Investors, for which Capital World Investors possesses sole voting power and sole dispositive power. The address for Capital World Investors is 333 South Hope Street, Los Angeles, CA 90071.
- (6) All 773,097 shares held by Zachary Nelson & Elizabeth Horn, as Trustees of the EZ Living Trust dated February 28, 2015.
- (7) All 2,122,984 shares held by The Evan and Cynthia Goldberg Revocable Trust. Mr. Goldberg is a Trustee of such Trust.
- (8) All 9,976 shares held by The Edward & Mona Zander Trust. Mr. Zander is a Trustee of such Trust.

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The table below shows information related to our common stock which may be issued under our existing equity compensation plans as of December 31, 2015, including our 1999 Stock Plan (the "1999 Plan") and the 2007 Equity Incentive Plan (the "2007 Plan"). In addition to the shares below, in 2015, our board of directors adopted and our stockholders approved an employee stock purchase plan (the "ESPP"), and reserved 3,500,000 shares of our common stock for issuance. No shares were issued to employees as of December 31, 2015, however we intend to issue shares in connection with purchases under the ESPP in May and November of each fiscal year beginning in 2016:

Plan category	(a) Number of securities to be issued upon exercise of outstanding options and rights	(b) Weighted-average exercise price of outstanding options and rights(1)	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders(2)	4,864,435	\$ 70.80	6,169,789(3)

(1)

This does not include RSUs or PSUs which have a purchase price of \$0.00 per award.

(2)

Consists of options granted under the 1999 Plan and option grants, restricted stock awards, RSUs and PSUs made under the 2007 Plan.

(3)

Consists of 6,169,789 shares that remain available for future grant under the 2007 Plan, which includes shares that rolled over from the 1999 Plan. Shares under the 2007 Plan are subject to automatic increase (i.e., an "annual evergreen") on January 1 of each year equal to the *least* of: (a) 9,000,000 shares, (b) 3.5% of the number of shares on the last day of the immediately preceding fiscal year that are outstanding and issuable pursuant to outstanding awards under our equity plans, or (c) such other amount as our board of directors may determine. On January 1, 2016, the 2007 Plan was automatically increased by 2,962,735 shares. If our stockholders approve the 2016 Plan, as discussed under "Proposal 2" of this annual proxy statement, the 2007 Plan will immediately terminate along with the annual evergreen. If approved, the 2016 Plan will not include an annual evergreen provision.

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EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The following discussion and analysis of compensation arrangements of our named executive officers for 2015 should be read together with the compensation tables and related disclosures set forth below. This discussion contains forward-looking statements that are based on our current plans, considerations, expectations and determinations regarding future compensation programs. Actual compensation programs that we adopt may differ materially from currently planned programs as summarized in this discussion.

Overview

Our goal is to be the leading provider of cloud-based business management software suites, which include Enterprise Resource Planning ("ERP"), Customer Relationship Management ("CRM"), Professional Services Automation ("PSA") and Ecommerce functionality that enable companies to manage most of their core business operations in our single integrated suite. To support this strategy and continue to deliver strong execution, we strive to provide an executive compensation program that attracts and retains talented and qualified senior executives to manage and lead our Company and motivates them to pursue and meet our corporate objectives. For this purpose, we use a mix of compensation elements including base salary, performance-based cash incentives, long-term equity incentives, and benefits, including potential post-termination severance and change of control benefits. In 2015, we positioned the target total direct compensation of our executive officers, including our named executive officers, to emphasize equity compensation.

Our named executive officers for 2015 were:

Zachary Nelson, Chief Executive Officer

Evan Goldberg, Chief Technology Officer

James McGeever, President and Chief Operating Officer

Ronald Gill, Chief Financial Officer

Marc Huffman, President, Worldwide Sales and Distribution

Our 2015 performance was a critical factor in determining our compensation outcomes for 2015. For 2015,

Revenue grew to \$741.1 million, representing an increase of \$184.9 million or 33% year-over-year.

Non-GAAP operating income was \$21.7 million*.

Non-GAAP net income was \$17.7 million**.

Operating cash flow grew to \$100.4 million, representing an increase of \$25.5 million or 34% over the prior year.

As a result of the decline in our Non-GAAP operating income in 2015, our named executive officers received below-target payouts under the Executive Performance Based Cash Incentive Plan and under the performance stock unit ("PSUs") awards granted in 2013 (the "2013 PSUs").

*

Non-GAAP operating income excludes expenses related to stock-based compensation expense, amortization of intangible assets, and transaction costs for business combination. A reconciliation between GAAP operating loss and non-GAAP operating income is included in our press release for the fourth quarter of 2015, filed with the SEC on a Form 8-K on January 28, 2016.

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Non-GAAP net income excludes expenses related to stock-based compensation expense, amortization of intangible assets, transaction costs for business combinations, non-cash interest expense on convertible debt and income tax benefit associated with business combination. A reconciliation between GAAP net loss and non-GAAP net income is included in our press release for the fourth quarter of 2015, filed with the SEC on a Form 8-K on January 28, 2016.

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Compensation Philosophy, Objectives, and Challenges

Compensation Philosophy and Objectives

The overall objective of our executive compensation program is to tie executive compensation to the performance of our company and management. We have created an executive compensation program that has a mix of short-term and long-term components, cash and equity elements and fixed and contingent payments in proportions that we believe provide appropriate incentives to retain and motivate our named executive officers and other senior executives and management team and help to:

support our performance-based approach to managing pay levels to foster a goal oriented, highly-motivated management team whose members have a clear understanding of business objectives and shared corporate values;

link pay to performance using defined and measurable metrics;

align the interests of our executive officers with those of our stockholders;

allocate company resources to effectively exploit our technological capabilities in the development of new applications and services;

retain our highly qualified executives, each of whom has served a long-tenure with our company and has valuable critical knowledge about our core business and potential for growth; and

achieve internal equity across our organization based upon position and level of responsibility.

A significant amount of the overall compensation for each executive officer, including each named executive officer, is designed to be "at-risk" based on corporate and individual performance. As a result, "fixed compensation" (base salary and benefits) represented less than 15% of each named executive officer's target total direct compensation for 2015. We believe this approach is appropriate and consistent with our compensation philosophy and our desire to align the executive officers' interests with stockholders and to reward our executive officers when our company performs well. This approach also is consistent with the Select Peer Group and compensation survey data that shows a significant portion of the compensation opportunities for comparable executives in the form of equity-based awards or performance-based cash awards.

The charts below highlight the "at-risk" compensation of our chief executive officer and other named executive officers for 2015. The percentages below were calculated using base salary, non-equity incentive plan compensation (i.e., cash incentive compensation), grant date fair value of equity awards (i.e., "performance-based equity awards"), and not value actually received, each as reported in the Summary Compensation Tables.

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Our executives' total realized compensation may vary significantly year-to-year based on company, functional area and individual performance. Further, the realized value of equity awards made to our executive officers, including our named executive officers, will vary based on our stock price performance.

Compensation Program Challenges

We strive to ensure that our executive compensation program is competitive with the practices of the companies with which we compete for talent to enable us to hire and retain the most highly qualified executives to manage each of our business functions. Like many companies in the Bay Area technology sector, we face challenges in hiring and retaining executives due to a relatively small pool of available executive talent for a comparatively large number of other Bay Area public companies and late-stage private companies. Larger and more established organizations in our industry seek to recruit top talent from smaller and less established companies in the sector just as smaller organizations look to attract and retain the best talent from the industry as a whole. The factors that contribute to this challenge of hiring and retaining a highly qualified executive team include the following:

As a high-growth company with rapidly growing revenues and expanding geographic and technical scope of operations, we require qualified and seasoned executives to manage and grow our business, making the services of our current executives more valuable and new executives more difficult to find.

Our executive team has specific skills in key functional areas that have contributed to the growth in our business. Given our rapid growth rate, the number of available executives that offer these skills is relatively low as compared with the opportunities available, particularly in the Bay Area.

As a leader in the highly competitive and rapidly changing cloud computing business, our employees and executives are highly attractive candidates for employment with other companies creating additional challenges for us to provide compensation incentives to enable us to retain them.

The replacement cost of our executive team is high given the tenure of our executives and the role they play in promoting the growth and development of our business. Our key executives have crucial knowledge of the history of our business and the opportunities for future growth. If any of our key executives were to leave, we anticipate having to provide valuable and meaningful compensation to a replacement executive, particularly in light of the limited pool of talent based on the factors described above.

Executive Compensation-Related Policies and Practices

We maintain the following executive compensation policies and practices:

Independent Compensation Committee. All executive compensation decisions are made by the compensation committee, which is comprised of independent directors. The compensation committee has established effective means for communicating with stockholders regarding its executive compensation ideas and concerns.

Independent Compensation Consultant. The compensation committee has engaged its own compensation consultant, Compensia, Inc., a nationally recognized compensation consulting firm, to assist with its 2015 compensation reviews.

Annual Executive Compensation Review. The compensation committee conducts an annual review and approval of our compensation strategy, including a review of our compensation peer group for comparative purposes and a review of our compensation-related risk profile to ensure that our compensation-related risks are not reasonably likely to have a material adverse effect on our company.

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Compensation At-Risk. Our executive compensation program is designed so a significant portion of compensation is "at-risk" based on corporate performance and predominantly equity-based to align the interests of our named executive officers and stockholders.

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Mixed Performance-Based Incentives. Our executive compensation program includes a mix of performance-based short-term and long-term incentives with different metrics used for each type of incentive. This approach is consistent with market practices. We believe this design and the use of different metrics provide incentives to motivate our executives and align their interests with those of our stockholders. For 2015, we capped performance-based cash incentive compensation at 175% of the payout target and performance-based equity compensation at 115% of the payout target for the 2013 PSUs and 200% of the payout targets for the PSUs granted to Mr. Huffman in 2015, as discussed below.

Multi-Year Vesting Requirements. The equity awards granted to our named executive officers vest or are earned over multi-year periods, consistent with current market practice and our retention objectives.

No Retirement Plans. We do not currently offer, nor do we have plans to provide, pension arrangements, retirement plans, or nonqualified deferred compensation plans or arrangements to our named executive officers that are not offered to all similarly situated employees.

"Double-Trigger" Change of Control Arrangements. All change of control payments and benefits are based on a "double-trigger" arrangement requiring *both* a change of control of our company and an involuntary termination of employment before payments and benefits are paid.

Limit All Other Compensation. We limit all other compensation to our named executive officers. For example, we do not have executive perquisites, such as club memberships or financial planning services.

Policy Against Hedging. Our Insider Trading Compliance Policy prohibits members of our board of directors and our executive officers from engaging in short sales, short-term trading, short-term or speculative transactions giving the insider the ability to profit from a decline in our stock price, transactions involving derivative securities relating to our common stock, such as trades in puts or calls, and hedging transactions.

Equity Ownership Guidelines. We maintain stock ownership guidelines for the named executive officers that require each to beneficially own a specified number of shares of our common stock.

Impact of 2014 Stockholder Advisory Vote on 2014 Executive Compensation

In May 2014, we conducted a non-binding, advisory vote on the compensation of our named executive officers, commonly referred to as a "say-on-pay" vote, at our Annual Meeting of Stockholders. Our stockholders approved the compensation of the named executive officers, with approximately 82.6% of the votes cast in favor of our executive compensation program.

The compensation committee evaluated our executive compensation policies and practices throughout 2015 and determined we should maintain the compensation philosophy and objectives from prior years and retain our general approach to executive compensation. As a result, the compensation committee decided to maintain an emphasis on incentive compensation that rewards our most senior executives when they deliver value for our stockholders and, except as noted above, made no significant changes to our executive compensation program.

Consistent with the recommendation of the board of directors and the approval of our stockholders in connection with the advisory vote on the frequency of future say-on-pay votes conducted at our 2011 Annual Meeting of Stockholders, the board of directors has adopted a policy providing for triennial advisory votes on the compensation of our named executive officers. However, as discussed in the annual proxy statement, after careful consideration of this proposal, our board of directors has determined that conducting an advisory vote on the compensation of our named executive officers on an annual cycle is more appropriate for us because it will allow our stockholders to provide us with timely input on the compensation of our named executive officers.

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Compensation Setting Process

The compensation committee of our board of directors is responsible for our executive compensation program. The compensation committee currently consists of Ms. Farrington, as chairperson of the committee, Mr. Thompson and Mr. Zander. Each member has been determined to be and each current member remains an "outside director" for purposes of Section 162(m) of the Internal Revenue Code, a "non-employee director" for purposes of Rule 16b-3 under the Exchange Act, and an "independent director" for purposes of the NYSE rules. In accordance with its charter, for 2015 and beyond, the compensation committee has and will evaluate, approve, administer and interpret our executives' compensation and benefit policies and practices.

In 2015, our compensation committee, in consultation with Compensia, took the following actions in connection with setting the compensation of our named executive officers:

with input from our management team, reviewed and made appropriate adjustments to our Select Peer Group, as described below;

developed recommendations with regard to executive compensation structures with reference to the applicable Select Peer Group and the compensation survey results;

reviewed our practice regarding chief executive officer compensation, including determining evaluation criteria, reviewing the performance and determining the compensation earned, paid or awarded to our chief executive officer, independent of input from him;

assessed our policy to review on an annual basis the performance of our named executive officers with assistance from our chief executive officer and determining what it believed to be appropriate target total direct compensation based on competitive levels as measured against the applicable Select Peer Group and the compensation survey results; and

considered the results of the advisory "say-on-pay" vote.

Role of the Compensation Consultant

The compensation committee has the authority to engage independent advisors to assist it in carrying out its responsibilities. For 2015, the compensation committee retained the services of Compensia to review and advise on all principal aspects of the executive compensation program, including providing recommendations regarding the composition of our Select Peer Group, analyzing publicly-available compensation data of peer group companies, compensation survey data, and other publicly available data (including applying its experience with other companies), and reviewing and advising on the target total direct compensation opportunities our executive officers, including base salaries, annual and long-term incentives, including associated performance goals. For 2015, Compensia also assisted the compensation committee with our equity compensation strategy, including providing data for establishing a target equity burn rate, grant value levels, and the appropriate mix and weight of different equity vehicles. Compensia reported directly to the compensation committee and not to management.

In 2015, in addition to the compensation advisory services it provides to the compensation committee, Compensia also assisted us in reviewing and preparing disclosures for our proxy statement and providing advice to the nominating and governance committee on the compensation of our board of directors. The total cost of these additional services was significantly less than \$120,000 in 2015.

Based on the consideration of the various independence factors as set forth in the rules of the SEC and the NYSE, the compensation committee does not believe that its relationship with Compensia and the work of Compensia on behalf of the compensation committee has raised any conflict of interest.

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Role of Management

The compensation committee works collaboratively with members of management as well as Compensia in designing and developing new compensation programs applicable to our executive officers, including our named executive officers. The compensation committee directs management, including the chief executive officer, to prepare reports and recommendations for the review, discussion, modification and final approval by the compensation committee with respect to various aspects of our named executive officers' total compensation. The compensation committee believes, for example, that the executive officers have greater day-to-day insight into the key metrics on which company performance should be evaluated. Consequently, the compensation committee directs the chief executive officer, and for certain matters, the chief financial officer and senior human resources personnel, to prepare recommendations with respect to appropriate qualitative and quantitative criteria on which our named executive officers' performance might be based.

The compensation committee may use these reports and recommendations provided by the chief executive officer or other executive officers in discharging its duties with respect to reviewing and setting named executive officer compensation. Other resources that our compensation committee may rely upon include an individual board member's respective experiences and recommendations, recommendations of Compensia, peer or competitive compensation data provided by Compensia or management, the deliberative process of the compensation committee, and any other resources that the compensation committee may determine are relevant. Once the compensation committee believes that it has the information necessary to conduct its deliberations, it does so (1) without further input of our named executive officers when discussing the chief executive officer's compensation and (2) with the chief executive officer's input, and often with his participation in the deliberations, when discussing the compensation for the remaining named executive officers.

Once the compensation committee has made compensation decisions with respect to our named executive officer compensation, neither the chief executive officer nor any other named executive officer has any discretion or authority to increase or decrease the approved compensation, whether in the form of base salary, cash incentive compensation, equity compensation or benefits.

Market Comparisons: How We Define Our Market and How We Use Market Compensation Data

To succeed in attracting top executives and retaining and motivating our named executive officers, we draw upon and access compensation data from a variety of sources, including relevant nationally recognized surveys (as listed below) to ensure we remain current on compensation trends and competitive in the marketplace. Our management and compensation committee review data that analyzes various cross-sections of our industry, including on-demand software services companies, software companies in our geographic area where we compete for talent and accounting software companies.

For 2015, Compensia conducted two assessments for the compensation committee:

a total executive compensation review for the compensation committee that compared and analyzed each of our named executive officer's compensation by element and by target total compensation opportunities to those corresponding opportunities and elements of executives at the companies in the applicable Select Peer Group, as discussed below.

a review of the one- and three-year chief executive officer/chief financial officer pay versus peer performance against total stockholder return (TSR) and operational metrics (i.e., revenue growth and non-GAAP operating margin growth) (the "2015 Realized Pay Analysis").

Defining the Market

As in past years, we used two public company market references to compare by element and by target total compensation opportunities for our named executive officers to those in the market for setting 2015 compensation:

Publicly-Held Companies Survey. Radford October 2014 High-Tech Industry Executive Compensation Survey; and

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Select Peer Group. Publicly available compensation data for: Aspen Technology, Inc., athenahealth, Inc., CommVault Systems, Inc., CoStar Group, Inc., Fortinet, Inc., Guidewire Software, Inc., j2 Global, Inc., Palo Alto Networks, Inc., Pandora Media, Inc., Qlik Technologies Inc., ServiceNow, Inc., SolarWinds, Inc., Splunk Inc., Tableau Software, Inc., The Ultimate Software Group, Inc., Workday, Inc., and Yelp Inc.

In assembling the Select Peer Group, the compensation committee considered companies with similar industry and financial characteristic as us. In reviewing the 2015 Select Peer Group for appropriateness for 2015, as compared to 2014, Concur Technologies, Inc. was removed from the list of comparable companies because it was in the process of being acquired by SAP America, Inc.

Additionally, Palo Alto Networks, Inc. and Tableau Software, Inc. were added to the Select Peer Group because they fit the criteria used to select our Select Peer Group companies. The compensation committee continued to review the compensation data from salesforce.com, inc. for reference purposes only.

The compensation committee reviews our Select Peer Group at least annually.

Use of Market Compensation Data

The compensation committee uses the Select Peer Group and compensation survey data to inform itself about competitive market practices with respect to executive compensation. The compensation committee uses this information as a reference point in assessing the reasonableness and appropriateness of the overall target compensation opportunities for our executive officers, including our named executive officers. This information is only one of several factors that the compensation committee considers, however, in making its decisions with respect to the executive officer compensation. Other factors the compensation committee considers include: individual skills, performance, and contributions to our company objectives, anticipated future contributions to our company, tenure of service to us, internal relative alignment of compensation levels, vested status of an executive officer's equity awards, hiring or retention objectives, and the factors identified in the "Role of Management" section described above.

The compensation committee makes its decisions on overall target direct compensation opportunities for our executive officers with reference to the competitive market represented by the Select Peer Group. We believe that the practices of the Select Peer Group (particularly as they relate to a range of compensation outcomes) are appropriate in light of our outstanding performance as measured against companies in our Select Peer Group and our desire to retain our key executives in a competitive job market. The compensation committee, however, retains the flexibility to set overall target compensation opportunities outside of this range based on one or more of the factors listed above, as it determines are appropriate. We do not benchmark any element of compensation or measure the overall target compensation opportunities for our executive officers against a specific percentile.

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Components of our Compensation Program

Our executive compensation program consists of the following four primary components:

<i>Base salary</i>	To compensate our executive officers for their day-to-day efforts based on demonstrated experience, competencies, and performance.
<i>Performance-based cash incentives</i>	To motivate and reward achievement of our annual strategic goals only if we achieve our short-term goals, consistent with our "pay-for-performance" philosophy.
<i>Long-term equity incentive compensation</i>	To align our executive officers' interests with the long-term interests of our stockholders and to achieve our retention objectives through multi-year vesting requirements and through performance-based vesting requirements linked to our long-term strategic goals.
<i>Benefits(including post-employment compensation)</i>	To retain our executive officers and reduce the degree to which the possible loss of employment might affect our executives' willingness to take risks or enter into strategic relationships and transactions that, while potentially beneficial to our stockholders, might result in the termination of the executive's employment.

We believe that each individual component is useful in achieving one or more of the objectives of our executive compensation program and that together, these components are effective in achieving our overall objectives.

Base Salary

Base salary is used to recognize the experience, skills, knowledge and responsibilities required of each named executive officer, as well as the prevailing market conditions. The base salaries of our named executive officers are generally reviewed on an annual basis and adjustments may be made to reflect performance-based factors, as well as competitive conditions, experience and tenure. We have in the past few years referred to public company surveys, as well as data from our Select Peer Group, and may in the future continue to compare base salaries against those public companies we consider to be appropriate market comparables. If we determine that base salaries are not competitive, market data may inform, but will not be the sole basis for, decisions to adjust base salaries.

In 2015, the compensation committee reviewed the compensation survey data of public companies and our Select Peer Group, and determined that the base salaries for our named executive officers were competitive and provided the proper retention incentives. Accordingly, no changes were made to the base salaries of our named executive officers. The base salaries of our named executive officers in 2015 were as follows:

Named Executive Officer	2015 Base Salary (\$)
Zachary Nelson	500,000
Evan Goldberg	400,000
James McGeever	380,000
Ronald Gill	345,000
Marc Huffman	300,000

Performance-Based Cash Incentives

Performance-based cash incentives are paid to our named executive officers based on the achievement of corporate performance objectives and a qualitative assessment of the applicable officer's individual performance, each as determined by the compensation committee. The corporate objectives may change from year to year as our company grows and market conditions evolve and different priorities are

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established, but the compensation committee plans to continue to set those performance objectives and to measure performance against them.

In February 2015, the compensation committee established the performance-based cash incentive opportunities and the weighting of the corporate and individual performance components for our named executive officers under the Executive Performance Based Cash Incentive Plan for 2015 (the "2015 Cash Incentive Program"), which consisted of a financial performance component (75% weight) and an individual performance component (25% weight). After considering the external market data (including compensation survey data of public companies and our 2015 Select Peer Group), the individual's past and potential future contributions, our company's short-term and long-term objectives, and the other factors it deemed relevant, the compensation committee determined that the existing target performance-based cash incentive opportunities for each of our named executive officers provided the appropriate incentives, and did not make any changes. .

Under the 2015 Cash Incentive Program, the applicable target percentages for each named executive officer and the allocations of the total annual performance-based cash incentives between the financial performance component and individual performance component (as percentages of the total annual performance-based cash incentives) for each named executive officer were as follows:

Named Executive Officer	2015 Target Performance- Based Cash Incentive Opportunity (\$)	Financial Performance Component (%)	Individual Performance Component (%)
Zachary Nelson	500,000	75	25
Evan Goldberg	200,000	75	25
James McGeever	380,000	75	25
Ronald Gill	238,000	75	25
Marc Huffman	300,000	75	25

Individual Performance Component.

For the individual performance component, the compensation committee conducted a qualitative assessment of each named executive officer's individual performance and considered criteria such as professional effectiveness, leadership, strategic and operational execution and creativity. For 2015, 75% of each named executive officer's individual performance component was allocated evenly over each quarter and paid quarterly based on quarterly performance and the other 25% was paid annually based on annual performance.

For 2015, the compensation committee determined that the named executive officers achieved the following payout levels against their individual goals for the quarterly individual performance component.

	Q1	Q2	Q3	Q4	ANNUAL
Zachary Nelson	95%	95%	90%	95%	95%
Evan Goldberg	95%	100%	100%	100%	99%
James McGeever	90%	95%	85%	95%	91%
Ronald Gill	100%	100%	95%	100%	99%
Marc Huffman	85%	95%	80%	100%	90%

Financial Performance Component.

For all named executive officers, the financial performance component for 2015 consisted of three core company performance objectives: GAAP revenue, non-GAAP operating income and non-GAAP operating cash flow.

For purposes of the 2015 Cash Incentive Program, "non-GAAP operating income" was determined in accordance with how we calculate operating income for our publicly reported financial results, except that it excludes the impact of stock-based compensation, amortization of intangibles, and transaction costs related

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to acquisitions and one-time litigation settlement costs. For purposes of the 2015 Cash Incentive Plan, "non-GAAP operating cash flow" was determined in accordance with how we calculate operating cash flow for our publicly reported financial results, except that it excludes the impact of cash disbursements relating to acquisition transaction costs. The weighting for each of these company performance objectives as a percentage of the financial performance component was as follows:

Company Performance Objectives	Percentage of Total Financial Performance Component (%)
GAAP Revenue Target	70
Non-GAAP Operating Income Target	15
Non-GAAP Operating Cash Flow Target	15

Achievement of each of the target levels for each corporate performance objective was determined and paid out quarterly. Actual payouts under each of the corporate performance objectives were calculated on a sliding scale based on the outcome on each metric. More specifically, the payouts under the 2015 Cash Incentive Program for the corporate performance objectives were subject to the following thresholds and caps per target.

Revenue: If the minimum threshold of 95% of the revenue target level was achieved, there would be a payment of 25% of the target cash incentive applicable to the revenue objective. If the target threshold of 100% of the revenue target level was achieved, there would be a payment of 100% of the target cash incentive applicable to the revenue objective. If the maximum threshold of 110% of the revenue target level was achieved, there would be a payment of 175% of the target cash incentive applicable to the revenue objective. For achievement (i) between the minimum threshold and the target threshold or (ii) between the target threshold and the maximum threshold, the actual amount of the cash incentive payment would be determined by applying straight-line interpolation between the specified payment amounts for the applicable thresholds. For achievement greater than the maximum threshold, each named executive officer would earn a cash incentive of 175% of his target cash incentive opportunity applicable to the revenue component. The chart below illustrates our quarterly 2015 revenue targets, actual achievement against those targets, and the corresponding percentage payouts to our named executive officers for each quarter:

Revenue

	Q1	Q2	Q3	Q4
Target (in millions)	\$ 163.3	\$ 176.6	\$ 190.4	\$ 202.6
Achievement (% of Target)	101%	100%	101%	102%
Payout (%)	105%	100%	105%	110%

Operating Income: If the minimum threshold of 95% of the non-GAAP operating income target level was achieved, there would be a payment of 25% of the target cash incentive applicable to the non-GAAP operating income objective. If the target threshold of 100% of the non-GAAP operating income target level was achieved, there would be a payment of 100% of the target cash incentive applicable to the non-GAAP operating income objective. If the maximum threshold of 105% of the non-GAAP operating income target level was achieved, there would be a payment of 175% of the target cash incentive applicable to the non-GAAP operating income objective. For achievement (i) between the minimum threshold and the target threshold or (ii) between the target threshold and the maximum threshold, the actual amount of the cash incentive payment would be determined by applying straight-line interpolation between the specified payment amounts for the applicable thresholds. For achievement greater than the maximum threshold, each named executive officer would earn a cash incentive of 175% of his target cash incentive opportunity applicable to the non-GAAP operating income component. The chart below illustrates our quarterly 2015 non-GAAP

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operating income targets, actual achievement against those targets, and the corresponding percentage payouts to our named executive officers for each quarter:

Operating Income

	Q1	Q2	Q3	Q4
Target (in millions)	\$ 6.3	\$ 4.7	\$ 10.1	\$ 12.0
Achievement (% of Target)	151%	59%	36%	48%
Payout (%)	175%	0%	0%	0%

Operating Cash Flow: If the minimum threshold of 95% of the non-GAAP operating cash flow target level was achieved, there would be a payment of 25% of the target cash incentive applicable to the non-GAAP operating cash flow objective. If the target threshold of 100% of the non-GAAP operating cash flow target level was achieved, there would be a payment of 100% of the target cash incentive applicable to the non-GAAP operating cash flow objective. If the maximum threshold of 105% of the non-GAAP operating cash flow target level was achieved, there would be a payment of 175% of the target cash incentive applicable to the non-GAAP operating cash flow objective. For achievement (i) between the minimum threshold and the target threshold or (ii) between the target threshold and the maximum threshold, the actual amount of the cash incentive payment would be determined by applying straight-line interpolation between the specified payment amounts for the applicable thresholds. For achievement greater than the maximum threshold, each named executive officer would earn a cash incentive of 175% of his target cash incentive opportunity applicable to the non-GAAP operating cash flow component. The chart below illustrates our quarterly 2015 non-GAAP operating cash flow targets, actual achievement against those targets, and the corresponding percentage payouts to our named executive officers for each quarter:

Operating Cash Flow

	Q1	Q2	Q3	Q4
Target (in millions)	\$ 28.3	\$ 17.0	\$ 20.4	\$ 33.0
Achievement (% of Target)	99%	141%	135%	64%
Payout (%)	90%	175%	175%	0%

The target and actual performance-based cash incentive payments for 2015 for our named executive officers were as follows, based on the achievement against the financial performance component and individual performance component discussed above:

Named Executive Officer	Performance-Based Cash Incentive Actually Paid (\$)				Performance- Based Cash Incentive Actually Paid	
	Base Salary (\$)	Target Performance- Based Cash Incentive Opportunity (\$)	Financial Performance (\$)	Individual Performance (\$)	Total Performance Based Cash Incentive Actually Paid	
					as Percentage of Base Salary (%)	
Zachary Nelson	500,000	500,000	362,109	117,578	479,687	96
Evan Goldberg	400,000	200,000	144,844	49,375	194,219	49
James McGeever	380,000	380,000	275,203	86,688	361,891	95
Ronald Gill	345,000	238,000	172,364	58,756	231,120	67
Marc Huffman	300,000	300,000	217,266	67,500	284,766	95

For 2015, our named executive officers achieved, on average, approximately 96% of their target total performance-based cash incentive opportunity.

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We believe providing long-term incentives in the form of equity awards promotes a corporate culture that supports strong long-term corporate performance and encourages our named executive officers to take a long-term outlook.

Our long-term incentive program provides our named executive officers with incentives to align their interests with the interests of our stockholders. The compensation committee grants equity awards to our named executive officers to enable them to participate in the long-term appreciation of our common stock, while reducing or eliminating the economic benefit of such awards in the event our common stock does not perform well. Additionally, equity awards provide an important retention tool for our named executive officers.

The long-term incentive component of our executive compensation program consists of two parts: (1) annual equity awards (in the form of stock options and RSU awards) and (2) multi-year performance-based equity awards (in the form PSU awards). The compensation committee believes that a mix of stock options and full-value awards helps to reduce the risk of options during turbulent economic times and remain competitive with our Select Peer Group and other comparable high-growth technology companies with which we compete for talent, most of whom offer full-value awards as a central piece of their executive equity compensation program.

We use two methodologies to make external comparisons when we set the value of equity awards to be granted to each named executive officer. On an individual basis, we compare (1) the fair value of the award to those made to executives within the applicable Select Peer Group using a Black-Scholes methodology valuation for options that is consistent with ASC Topic 718 and the reported value for other types of equity awards and (2) the number of equity awards granted by job position as a percentage to our total common shares outstanding. We believe these comparisons provide important context for assessing the competitiveness of our equity-based compensation practices with market practices.

The value that each of our named executive officers will realize under his equity award will be measured by our performance over time.

Stock Options

In March 2015, the compensation committee approved annual grants of stock options to our named executive officers. The number of shares subject to each annual stock option grant was based on individual performance, the compensation committee's review of the compensation survey and Select Peer Group data, and the compensation committee's assessment of the retention value of each named executive officer's existing equity awards. Additionally, further differentiation was made between the named executive officers based on competitive peer group data for their respective positions, the value of the equity being delivered to comparable executives within the reference point range, and the compensation committee's assessment of each executive's potential future contributions to us. These annual stock option grants vest ratably each month over a four-year period subject to the applicable named executive officer's continued service with us and are granted with an exercise price equal to the per share fair market value of our company's common stock on the date of grant. The numbers of shares subject to the annual stock options granted to our named executive officers in 2015 were as follows:

Named Executive Officer	Shares Subject to Option (#)	Grant Date Fair Value (\$)
Zachary Nelson	79,460	\$ 2,823,389
Evan Goldberg	37,481	\$ 1,331,782
James McGeever	68,966	\$ 2,450,514
Ronald Gill	31,484	\$ 1,118,696
Marc Huffman	14,993	\$ 532,734

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RSUs

In March 2015, the compensation committee approved annual grants of RSUs to our named executive officers. The number of annual RSUs was based on individual performance, the compensation committee's review of the compensation survey and Select Peer Group data, and the compensation committee's assessment of the retention value of each named executive officer's existing equity awards. Additionally, further differentiation was made between the named executive officers based on competitive peer group data for their respective positions, the value of the equity being delivered to comparable executives within the reference point range, and the compensation committee's assessment of each executive's potential future contributions to us. These annual RSU awards vest at a rate of 1/16th per quarter subject to the applicable named executive officer's continued service with us. The numbers of annual RSUs granted to our named executive officers in 2015 were as follows:

Named Executive Officer	RSUs (#)	Grant Date	
		Fair Value (\$)	
Zachary Nelson	27,008	\$	2,500,401
Evan Goldberg	12,740	\$	1,179,469
James McGeever	23,441	\$	2,170,168
Ronald Gill	10,701	\$	990,699
Marc Huffman	5,096	\$	471,788

In connection with his promotion to the role of President in August 2015, Mr. McGeever was granted an additional award of 20,000 RSUs, which had a grant date fair value of \$1,945,200. In setting the equity value of this RSU award, the compensation committee considered the total estimated value of the equity holdings of comparable executives based on data from the Select Peer Group and compensation surveys, and set the size of his promotion grants at competitive levels. This RSU award is scheduled to vest at a rate of 1/16th per quarter subject to Mr. McGeever's continued service with us.

PSUs

2013 PSUs

At the end of 2013, the compensation committee approved the grant of the 2013 PSUs to Messrs. Nelson, Goldberg, McGeever, and Gill to motivate and incentivize them to drive long-term growth in our business, provide them with incentives to stay with us over the long-term, and promote alignment of their financial interests with those of our stockholders' interests. The performance period for the 2013 PSUs started at the beginning of 2014 and ended at the end of 2015. The number of 2013 PSUs that became eligible to vest was based on the average growth in our annual revenue and our non-GAAP operating margin during the performance period determined in accordance with the table below. If performance for a performance metric fell between the bands in the table below, performance for that metric would be determined linearly between the applicable bands. The compensation committee could make adjustments to the performance targets in the table below based on the impact of business acquisitions during the performance period.

Non-GAAP Operating Margin	Payout Percentage				
	Revenue Growth				
	32%	33%	34%	35%	36%
4.8%	90%	95%	105%	110%	115%
4.5%	85%	90%	100%	105%	110%
4.0%	80%	85%	95%	100%	105%
3.5%	75%	80%	90%	95%	100%

In February 2016, based on our actual level of achievement of these performance goals, the compensation committee determined that 86.5% of the target number of 2013 PSUs became eligible to vest. This was based on revenue growth of 33.72% and non-GAAP operating margin of 4.05% (each of which reflects adjustments made by the compensation committee after factoring in business acquisitions) during the

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performance period. 50% of the earned 2013 PSUs vested in February 2016, and 50% of the earned 2013 PSUs are scheduled to vest in February 2017 subject to the applicable named executive officer's continued service with us. The 2013 PSUs that vest are settled in shares of our common stock.

The table below sets forth (i) the target number of 2013 PSUs and (ii) the actual number of 2013 PSUs that became eligible to vest under the time-based vesting schedule described above:

Named Executive Officer	Target 2013 PSUs (#)	2013 PSUs Eligible to Vest (#)
Zachary Nelson	36,273	31,366
Evan Goldberg	17,618	15,235
James McGeever	17,618	15,235
Ronald Gill	12,437	10,755

2015 PSUs

In March 2015, the compensation committee approved the grant of PSU awards to certain executive officers, including Mr. Huffman, and other key employees (the "2015 PSUs") based upon its fundamental belief that performance should continue to be a significant factor in our overall equity compensation program. The target number of 2015 PSUs granted to Mr. Huffman was determined in the compensation committee's judgment in an effort to motivate and incentivize him to drive long-term growth in our business and further promote alignment of his financial interests with those of our stockholders' interests.

The 2015 PSUs were divided into four substantially equal tranches, with the number of 2015 PSUs in each of the first three tranches that become eligible to vest based on our actual achievement against the performance objectives established (or to be established) by the compensation committee in and for each of the 2015, 2016, and 2017 fiscal years, respectively, and the number of 2015 PSUs in the remaining tranche, the fourth tranche, that become eligible to vest based on our achievement against the performance objectives established by the compensation committee in 2015 for the 2017 fiscal year. The compensation committee believed that establishing the performance objectives for half of the 2015 PSUs up front provided a valuable framework of short-term and long-term incentives and retaining the discretion to establish the performance objectives at the beginning of each year for the remaining 2015 PSUs preserved the flexibility to implement performance objectives consistent with any changes to our business that may occur year-by-year.

Any 2015 PSUs in a tranche that become eligible to vest are scheduled to vest as to one-third of such PSUs on the later of (i) the date the compensation committee determines the applicable performance goals were achieved or (ii) February 15 of the year following the performance period, with the remainder of such 2015 PSUs vesting in equal annual installments over the next two years, subject to continued service with us. The 2015 PSUs that vest are settled in shares of our common stock.

The table below illustrates for each of the four tranches (i) the relevant performance period and (ii) the year in which the performance goals were or will be established by the compensation committee:

	Tranche 1 (25% of 2015 PSU award)	Tranche 2 (25% of 2015 PSU award)	Tranche 3 (25% of 2015 PSU award)	Tranche 4 (25% of 2015 PSU award)
Performance Period	2015 Fiscal Year	2016 Fiscal Year	2017 Fiscal Year	2017 Fiscal Year
Establishment of Performance Goals (Year)	2015 Fiscal Year	2016 Fiscal Year	2017 Fiscal Year	2015 Fiscal Year

In March 2015, the compensation committee set the performance objectives for the first and fourth tranches of the 2015 PSUs. For the first tranche of the 2015 PSUs, the compensation committee set a performance objective based on our revenue in 2015, with a minimum revenue threshold of \$696.2 million, a target revenue threshold of \$732.9 million, a maximum revenue threshold of \$769.5 million. If we achieved the minimum revenue threshold, 25% of the target number of 2015 PSUs in that tranche would become eligible to vest. If we achieved the target revenue threshold, 100% of the target number of 2015 PSUs in that tranche would become eligible to vest. If we achieved or exceeded the maximum revenue threshold, 200% of

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the target number of 2015 PSUs in that tranche would become eligible to vest. For achievement (i) between the minimum revenue threshold and the target revenue threshold or (ii) between the target revenue threshold and the maximum revenue threshold, the actual number of 2015 PSUs in the applicable tranche that become eligible to vest would be determined by applying straight-line interpolation between the specified amounts for the applicable revenue thresholds. If we did not achieve the minimum revenue threshold for the applicable tranche, none of 2015 PSUs in that tranche would become eligible to vest.

The fourth tranche of the 2015 PSUs will vest entirely based on revenue in 2017 against performance goals established in 2015 and using the same methodology described above.

In February 2016, based on our actual level of achievement of the performance goals in 2015, the compensation committee determined that 122.6% of the target number of 2015 PSUs in the first tranche became eligible to vest. This is based on 2015 revenue of \$741.1 million.

The table below sets forth for Mr. Huffman (i) the total target number of 2015 PSUs, (ii) the target number of 2015 PSUs in the first tranche of the 2015 PSUs and (iii) the actual number of 2015 PSUs in the first tranche of the 2015 PSUs that became eligible to vest under the time-based vesting schedule described above:

Named Executive Officer	Total Target 2015 PSUs (#)	Target 2015 PSUs in First Tranche (#)	2015 PSUs in First Tranche Eligible to Vest (#)
Marc Huffman	14,268	3,567	4,373

Other Compensation Policies

Benefits. We provide the following benefits to our named executive officers, generally on the same basis provided to all of our employees: health, dental and vision insurance; life insurance; a Section 401(k) plan (U.S.-based employees only); a typical EAP or employee assistance program; short- and long-term disability insurance and accidental death and dismemberment insurance; medical and dependent care flexible spending accounts (U.S.-based employees only); and employee stock purchase plan (ESPP).

We believe these benefits are generally consistent with those offered by companies with which we compete for employees. We do not provide special perquisites or other special benefits to our executive officers.

Severance Compensation and Termination Protection. Based upon a review of comparable market data at the time the arrangements were entered into in prior years, the compensation committee previously approved severance and change of control agreements with each of our named executive officers. The compensation committee believes that severance agreements are necessary to provide competitive executive compensation packages. The compensation committee also believes that change of control protection serves to minimize the distraction caused by a potential transaction and reduces the risk that a named executive officer departs our company before a transaction is consummated. We believe that a pre-existing change of control plan will allow our executive officers to focus on continuing normal business operations and ensuring the success of a potential business combination, rather than focusing on alternative employment. We also believe that providing similar change of control benefits to all of our named executive officers provides an appropriate level of consistency among the named executive officers so that their interests are aligned during a potential business combination. Severance payments and benefits are provided only upon termination of employment following a change of control of our company (a so-called "double-trigger" arrangement) so that a potential acquirer that wishes to retain a named executive officer during a transition period or over the long-term will have an opportunity to do so.

Additional details regarding the severance payments and benefits payable to our named executive officers, including estimates of amounts payable upon termination of employment, are disclosed in the section titled "Severance and Change of Control Arrangements" contained in this proxy statement.

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Equity Award Grant Policy. Our board of directors adopted an Equity Award Grant Policy, which was most recently amended in 2014. The Equity Award Grant Policy sets forth the material terms of stock option, RSU and PSU awards under the 2007 Equity Incentive Plan. Under the policy, equity awards for new-hires are generally granted in the middle of the second month of each fiscal quarter after the action authorizing the grants becomes effective, which is intended to follow, without much delay, our earnings announcements for the prior fiscal quarter. With respect to annual equity awards, the compensation committee adopted a policy whereby annual awards are granted in the first quarter of the calendar year to align these annual awards with the determination of the prior years' financial results and performance reviews. Our board of directors or compensation committee may approve grants that are exceptions to the policy.

Equity Ownership Guidelines. The compensation committee adopted equity ownership guidelines for all of our executive officers to help ensure that we maintain close alignment between the interests of our executive officers and those of our stockholders. Under our equity ownership guidelines, our chief executive officer is expected to own shares of our common stock valued at three times his annual base salary, and each other executive officer is expected to own shares of our common stock valued at one times his or her annual base salary. This guideline is subject to a five-year pro-rated phase in period for newly appointed executive officers. Unless otherwise approved by the Nominating and Governance Committee, until a director or executive officer is in compliance with our equity ownership guidelines, the guidelines require that such person refrain from selling shares of our common stock, other than to satisfy tax obligations in connection with the vesting of equity awards. At the end of 2015, all of the named executive officers were in compliance with the equity ownership guidelines.

Policy Against Short Sales, other Put-Equivalent Investment and Hedging Transactions. All of our directors, officers and employees are subject to our Insider Trading Compliance Policy. Our Insider Trading Compliance Policy prohibits, among other things, insiders from engaging in short-term or recurring speculative transactions in our securities, including (i) short sales, (ii) short-term trading, (iii) any short-term or speculative transaction whereby the insider could profit from a decline in our stock price, (iv) transactions involving publicly traded options or other derivatives, such as trade in puts or calls in our stock, and (v) hedging transactions.

Compensation Recovery Policy. Currently, we have not implemented a policy regarding retroactive adjustments to any cash or equity-based incentive compensation paid to our executive officers and other employees where the payments were predicated upon the achievement of financial results that were subsequently the subject of a financial restatement. We intend to adopt a general compensation recovery, or clawback policy covering our annual and long-term incentive award plans and arrangements once the SEC adopts final rules implementing the requirement of Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Tax Considerations

Internal Revenue Code Section 162(m) limits the amount that we may deduct for compensation paid to our chief executive officer and to certain other highly compensated officers (other than our chief financial officer) to \$1,000,000 per person, unless certain exemption requirements are met. Exemptions to this deductibility limit may be made for various forms of "performance-based" compensation. In addition to salary, upon the exercise of stock options, the excess of the market price over the option price, or option spread, is treated as compensation and accordingly, in any year, such exercise may cause a covered officer's total compensation to exceed \$1,000,000. While the compensation committee cannot predict how the deductibility limit may impact our compensation program in future years, the compensation committee intends to maintain an approach to executive compensation that strongly links pay to performance. In addition, while the compensation committee has not adopted a formal policy regarding tax deductibility of compensation paid to our named executive officers, the compensation committee considers tax deductibility under Section 162(m) as a factor in compensation structure. We may from time to time pay compen

SIZE=1> Increase/

(Decrease) Percent

Change

(dollars in thousands)

Gross Profit

Equipment

\$132,282 \$82,383 \$49,899 60.6%

Parts

61,308 40,701 20,607 50.6%

Service

66,238 46,739 19,499 41.7%

Rental and other

15,633 4,745 10,888 229.5%

Total Gross Profit

\$275,461 \$174,568 \$100,893 57.8%

Gross Profit Margin

Equipment

10.1% 9.6% 0.5% 5.2%

Parts

30.4% 28.9% 1.5% 5.2%

Service

64.0% 62.7% 1.3% 2.1%

Rental and other

31.1% 20.1% 11.0% 54.7%

Total Gross Profit Margin

16.6% 15.9% 0.7% 4.4%

Gross Profit Mix

Equipment

48.0% 47.2% 0.8% 1.7%

Parts

22.3% 23.3% (1.0)% (4.3)%

Service

24.0% 26.8% (2.8)% (10.4)%

Rental and other

5.7% 2.7% 3.0% 111.1%

Total Gross Profit Mix

100.0% 100.0% 0.0% 0.0%

The increase in gross profit was primarily due to increased revenue and improved gross profit margins. Acquisitions contributed \$47.9 million of the increase in total gross profit, while same-store sale gross profit provided the remaining \$53.0 million. The increase in gross profit margin from 15.9% in fiscal 2011 to 16.6% in fiscal 2012 was primarily due to the increase in gross profit margin for equipment and rental and other. The increase in equipment gross profit margin was primarily reflective of an improved construction equipment market in the region in which we do business. The increase in gross profit margin on rental and other was due to an increase in the size and utilization of our rental fleet.

Operating Expenses

	Fiscal Year Ended January 31, 2012	Fiscal Year Ended January 31, 2011	Increase/ (Decrease)	Percent Change
	(dollars in thousands)			
Operating Expenses	\$ 193,860	\$ 130,541	\$ 63,319	48.5%
Operating expenses as a percentage of revenue	11.7%	11.9%	(0.2)%	(1.7)%

The increase in operating expenses was primarily due to the additional costs associated with acquisitions, such as compensation, rent, travel and depreciation. As a percentage of total revenue, operating expenses decreased slightly to 11.7% in fiscal 2012 as compared to 11.9% in fiscal 2011. The slight decrease was primarily due to improved fixed operating cost leverage resulting from higher revenues more than offsetting an increase in our sales commissions, which are calculated based on equipment gross profits rather than revenues, and a larger portion of our business coming from our Construction segment, which require higher operating expenses and included additional expenses in fiscal 2012 associated with growing the rental business.

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Other Income (Expense)

	Fiscal Year Ended January 31, 2012	Fiscal Year Ended January 31, 2011	Increase/ (Decrease)	Percent Change
(dollars in thousands)				
Interest and other income	\$ 1,643	\$ 1,794	\$ (151)	(8.4)%
Floorplan interest expense	(8,323)	(7,223)	1,100	15.2%
Other interest expense	(1,347)	(1,361)	(14)	(1.0)%

Interest and other income for the year ended January 31, 2012 was positively impacted by an increased manufacturer incentive as compared to the prior year. The increase in floorplan interest expense of \$1.1 million was due to the increase in floorplan notes payable balances as compared to fiscal 2011, offset by reductions in interest rates associated with our Credit Agreement entered into on October 31, 2010.

Provision for Income Taxes

	Fiscal Year Ended January 31, 2012	Fiscal Year Ended January 31, 2011	Increase	Percent Change
(dollars in thousands)				
Provision for income taxes	\$ 29,429	\$ 14,895	\$ 14,534	97.6%

The increase in our provision for income taxes was due to our income before income taxes growing 97.6% as compared to fiscal 2011. Our effective tax rate was 40.0% in fiscal 2012 and fiscal 2011.

Segment Results

	Fiscal Year Ended January 31, 2012	Fiscal Year Ended January 31, 2011	Increase/ (Decrease)	Percent Change
(dollars in thousands)				
Revenues				
Agriculture	\$ 1,441,294	\$ 979,016	\$ 462,278	47.2%
Construction	279,152	152,646	126,506	82.9%
Segment revenues	1,720,446	1,131,662	588,784	52.0%
Eliminations	(61,454)	(37,173)	(24,281)	(65.3)%
Total	\$ 1,658,992	\$ 1,094,489	\$ 564,503	51.6%
Income (Loss) Before Income Taxes				
Agriculture	\$ 74,411	\$ 44,083	\$ 30,328	68.8%
Construction	5,461	(3,451)	8,912	258.2%
Segment income (loss) before income taxes	79,872	40,632	39,240	96.6%
Shared Resources	(5,993)	(3,133)	(2,860)	(91.3)%
Eliminations	(305)	(262)	(43)	(16.4)%
Total	\$ 73,574	\$ 37,237	\$ 36,337	97.6%

Agriculture

Agriculture segment revenues for fiscal 2012 increased 47.2% compared to fiscal 2011. The revenue increase was primarily due to acquisitions and an Agriculture same-store sales increase of 27.0% over fiscal 2011. The same-store sales growth primarily reflected a strong equipment market driven by increased net farm income for calendar years 2010 and 2011.

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Agriculture segment income before income tax increased 68.8% in fiscal 2012 primarily due to higher revenues and slightly higher gross profit margins for equipment, parts and service.

Construction

Construction segment revenue for fiscal 2012 increased 82.9% compared to fiscal 2011. The revenue increase was primarily due to acquisitions, a Construction same-store sales increase of 41.8% as compared to fiscal 2011, and growth in the rental business. The same-store growth was positively impacted by an improved construction equipment market in the region in which we do business and results from ongoing operational improvements. The increase in our rental business reflects our initiative to expand this growth platform through strategic acquisitions, including the purchase of ABC Rental & Equipment Sales in the first quarter of fiscal 2012, new openings, and an increase in the size of our rental fleet.

The Construction segment earned segment income before income taxes of \$5.5 million in fiscal 2012, compared to a segment loss before income taxes of \$3.5 million in fiscal 2011. This improvement was primarily caused by an increase in Construction segment revenue, an increase equipment gross profit margin resulting from the aforementioned improvements in market conditions, an increase in service gross profit margins, and an increase in gross profit margin on rental and other resulting from increased utilization of our rental fleet.

Shared Resources/Eliminations

We incur centralized expenses/income at our general corporate level, which we refer to as "Shared Resources," and then allocate these net expenses to our segments. Since these allocations are set early in the year, unallocated balances may occur.

Eliminations remove any inter-company revenues or income before income taxes residing in our segment results.

Liquidity and Capital Resources

Cash Flow Used For Operating Activities

During fiscal 2013, cash used for operating activities was \$115.3 million. Our cash used for operating activities was primarily the result of an increase in net cash for inventories of \$144.0 million and an increase in receivables, prepaid expenses and other assets of \$41.6 million. This amount was principally offset by our reported net income including noncontrolling interest of \$42.6 million and non-cash adjustments to net income for depreciation and amortization of \$23.5 million. The increase in inventories primarily resulted from the growth in our business, which was both organic and through acquisitions. We evaluate our cash flow from operating activities net of all floorplan activity. Taking this adjustment into account, our non-GAAP cash used for operating activities was \$1.2 million for fiscal 2013. For reconciliation of this non-GAAP financial measure, please see the Non-GAAP Cash Flow Reconciliation below.

During fiscal 2012, cash used for operating activities was \$182.2 million. Our cash used for operating activities was primarily the result of an increase in net cash for inventories of \$261.6 million. This amount was principally offset by our reported net income including noncontrolling interest of \$44.1 million and non-cash adjustments to net income for depreciation and amortization of \$15.3 million and deferred income taxes of \$16.0 million. The increase in inventories primarily reflects new equipment stocking to support forecasted equipment sales.

During fiscal 2011, cash used for operating activities was \$35.0 million. Our cash used for operating activities was primarily the result of an increase in net cash for inventories of \$63.1 million, a net increase in receivables, prepaid expenses and other assets of \$19.9 million and a net decrease in

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floorplan notes payable of \$13.0 million. This amount was principally offset by our reported net income of \$22.3 million, non-cash adjustments to net income for depreciation and amortization of \$9.0 million and a net increase in accounts payable, customer deposits, accrued expenses and other long-term liabilities of \$23.2 million. The increase in inventories was primarily the result of our growth through acquisitions and inventory balances that reflect historical stocking levels.

Cash Flow Used For Investing Activities

During fiscal 2013, cash used for investing activities was \$64.1 million. Our cash used for investing activities primarily consisted of purchases of equipment dealerships (net of cash purchased) of \$31.9 million, purchases of rental fleet of \$13.4 million and property and equipment purchases (excluding rental fleet) of \$26.5 million.

During fiscal 2012, cash used for investing activities was \$66.6 million. Our cash used for investing activities primarily consisted of purchases of equipment dealerships (net of cash purchased) of \$48.4 million and property and equipment purchases of \$18.8 million.

During fiscal 2011, cash used for investing activities was \$48.4 million. Our cash used for investing activities primarily consisted of purchases of equipment dealerships (net of cash purchased) of \$32.3 million and property and equipment purchases of \$13.3 million.

Cash Flow Provided By Financing Activities

During fiscal 2013, cash provided by financing activities was \$224.2 million. Cash provided by financing activities was primarily the result of an increase in our non-manufacturer floorplan notes payable of \$108.4 million and \$145.2 million in net proceeds from our Convertible Notes offering. These amounts were principally offset by principal payments exceeding proceeds on our long-term debt by \$31.5 million.

During fiscal 2012, cash provided by financing activities was \$252.6 million. Cash provided by financing activities was primarily the result of an increase in our non-manufacturer floorplan notes payable of \$168.1 million, \$74.9 million in net proceeds from our follow-on offering, and proceeds exceeding principal payments on long-term debt by \$7.8 million.

During fiscal 2011, cash provided by financing activities was \$83.4 million. Cash provided by financing activities was primarily the result of an increase in our non-manufacturer floorplan notes payable of \$82.4 million. During fiscal 2011, the increase in floorplan financing with non-manufacturers resulted from borrowings under our Credit Agreement.

Non-GAAP Cash Flow Reconciliation

We consider our cash flow from operating activities to include all equipment inventory financing activity regardless of whether we obtain the financing from a manufacturer or other source. We consider equipment inventory financing with both manufacturers and other sources to be part of the normal operations of our business and use the adjusted cash flow analysis in the evaluation of our equipment inventory and inventory flooring needs. Non-GAAP cash flow provided by (used for) operating activities is a non-GAAP financial measure which is adjusted for the following:

Non-manufacturer floorplan notes payable: The adjustment is equal to the net change in non-manufacturer floorplan notes payable, as shown on the consolidated statements of cash flows. GAAP categorizes non-manufacturer floorplan notes payable as financing activities in the consolidated statements of cash flows.

Impact of senior convertible notes: We issued \$150.0 million of Convertible Notes in April 2012. We used a significant amount of the proceeds from the Convertible Notes to reduce our

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floorplan notes payable balances, resulting in a higher level of equity in our equipment inventory than we have historically maintained. To analyze the impact of this fluctuation of equity in our equipment inventory, we use this adjustment to maintain a constant level of equipment financing. The adjustment is equal to the difference between our actual equity in inventory at the balance sheet date and our historical average level of equity in inventory of 15%. GAAP categorizes proceeds from our Convertible Notes offering as financing activities in the consolidated statements of cash flows.

We believe that the presentation of non-GAAP cash flow provided by (used for) operating activities is relevant and useful to our investors because it provides information on activities we consider normal operations of our business, regardless of financing source. The following table reconciles net cash provided by (used for) operating activities, a GAAP measure, to non-GAAP cash flow provided by (used for) operating activities and net cash provided by (used for) financing activities, a GAAP measure, to non-GAAP cash flow provided by (used for) financing activities (in thousands):

	As Reported	Adjustment(1)	Adjustment(2)	Non-GAAP Measures
	(in thousands)			
Fiscal 2013:				
Net cash used for operating activities	\$ (115,325)	\$ 108,417	\$ 5,725	\$ (1,183)
Net cash provided by financing activities	224,227	(108,417)	(5,725)	110,085
Fiscal 2012:				
Net cash used for operating activities	\$ (182,185)	\$ 168,118	\$ 13,130	\$ (937)
Net cash provided by financing activities	252,573	(168,118)	(13,130)	71,325
Fiscal 2011:				
Net cash provided by (used for) operating activities	\$ (35,008)	\$ 82,371	\$ (4,495)	\$ 42,868
Net cash provided by (used for) financing activities	83,383	(82,371)	4,495	5,507

(1) Net change in non-manufacturer floorplan notes payable

(2) Impact of Convertible Notes

Debt Facilities

Senior Secured Credit Facility. We currently have a Credit Agreement with the Wells Fargo Bank Syndicate that provides for a \$375.0 million wholesale floorplan line of credit (the "Floorplan Line") and a \$75.0 million working capital line of credit (the "Working Capital Line"). The amount available under the Floorplan Line is reduced by adjustments based on borrowing base calculations and various standby letters of credit denominated in Euros and U.S. dollars used to guarantee equipment purchases from CNH by our foreign subsidiaries. The Credit Agreement has a variable interest rate on outstanding balances of LIBOR plus an applicable margin of 1.5% to 2.625% per annum, depending upon our consolidated leverage ratio, has a 0.3% to 0.4% non-usage fee on the average monthly unused amount and requires monthly payments of accrued interest. The Credit Agreement is secured by all our assets and contains certain financial covenants that impose a minimum fixed charge coverage ratio and a maximum debt to tangible net worth ratio, and requires prior approval of acquisitions exceeding certain thresholds. The Credit Agreement also restricts our ability to make certain cash payments without prior approval, including payments for stock repurchases and cash dividends, except that it permits paying cash dividends in an amount not to exceed 50% of consolidated net income for the then trailing four quarters, so long as no default or event of default exists prior to or immediately following such action or otherwise results from such action. The Credit Agreement, as amended, expires March 30, 2016.

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The Floorplan Line is used to finance equipment inventory purchases. Amounts outstanding are recorded as floorplan notes payable, within current liabilities on the consolidated balance sheets as we intend to repay amounts borrowed within one year. As of January 31, 2013 we had \$289.1 million outstanding on the Floorplan Line.

The Working Capital Line is used to finance our working capital requirements. Amounts outstanding are recorded as long-term debt, within long-term liabilities on the consolidated balance sheets, as we do not have the intention or obligation to repay amounts borrowed within one year. As of January 31, 2013 we had \$7.1 million outstanding on the Working Capital Line.

CNH Capital Credit Facility. We currently have a credit facility with CNH Capital that provides for an aggregate principal balance of up to \$450.0 million for floorplan financing, the availability of which is reduced by outstanding floorplan notes payable, rental fleet financing and other acquisition-related financing arrangements with CNH Capital, as described below. Interest rates are currently equal to the prime rate plus 4% on new borrowings, subject to any interest-free periods offered by CNH Capital. The CNH Capital term loans and loans for certain purposes also have interest rates equal to the prime rate plus 4% per annum. Cumulative and unpaid balance of advances under the CNH Capital credit facility accrues interest each month and requires monthly payments. The CNH Capital credit facility automatically renews on August 31 of each year, unless earlier terminated by either party. The CNH Capital credit facility is secured by the financed assets. Repayment terms vary by individual notes, but generally payments are made from sales proceeds or rental revenue from the related inventories. As of January 31, 2013, we had approximately \$247.7 million outstanding on the CNH Capital credit facility, of which approximately \$243.9 million related to floorplan notes payable. The CNH Capital credit facility contains certain financial covenants that impose maximum levels of adjusted debt to tangible net worth and debt service ratios. It also contains various restrictive covenants that require the prior consent of CNH Capital if we desire to engage in any acquisition of, or consolidation or merger with, any other business entity in which we are not the surviving company; create subsidiaries; move any collateral outside of the U.S.; or sell, rent, lease or otherwise dispose or transfer any of the collateral, other than in the ordinary course of business. CNH's consent is also required for the acquisition of any CNH dealership. In addition, the CNH Capital credit facility restricts our ability to incur any liens upon any substantial part of our assets.

Other Indebtedness with CNH Capital. CNH Capital periodically provides term loans for fixed asset financing in connection with acquisitions. CNH Capital also provides variable rate note at the prime rate plus 4% per annum, which are secured by our rental fleet. There were no amounts outstanding on the term loans or rental fleet notes as of January 31, 2013.

Agricredit Credit Facility. We currently have a credit facility with Agricredit Acceptance LLC ("Agricredit") that provides for an aggregate principal balance of up to \$175.0 million. As of January 31, 2013 we had \$96.8 million outstanding on the Agricredit credit facility. The Agricredit credit facility may be used to purchase or refinance new and used equipment inventory. The interest rate on borrowings under the Agricredit credit facility is equal to the three-month LIBOR rate plus an applicable margin of 4.75% to 5.25% per annum, depending upon the our average daily outstanding balance. The Agricredit credit facility allows for increase, decrease or termination of the credit facility by Agricredit on 90 days notice. Under covenants of the Agricredit credit facility, we have agreed, among other things, to maintain various financial ratio levels, to submit certain financial information, and to obtain prior consent from Agricredit if we desire to engage in any acquisition meeting certain financial thresholds. The balances outstanding with Agricredit are secured by the related inventory. Repayment terms vary by individual notes, but generally payments are made from sales proceeds or rental revenue from the related inventories.

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Sources of Liquidity

Our primary sources of liquidity are cash reserves, cash flow from operations, proceeds from our public stock offerings, proceeds from the issuance of debt and our Convertible Notes, and borrowings under our credit facilities. We expect that ongoing requirements for debt service and capital expenditures will be funded from these sources.

Adequacy of Capital Resources

Our primary uses of cash have been to fund our strategic acquisitions, finance the purchase of inventory, meet debt service requirements and fund operating activities, working capital, payments due under building space operating leases and manufacturer floorplan notes payable. The primary factors affecting our ability to generate cash and to meet existing, known or reasonably likely cash requirements are the timing and extent of acquisitions and our operating performance as impacted by (i) industry factors, (ii) competition, (iii) general economic conditions and (iv) other business factors as identified in Item 1A "Risk Factors."

For fiscal 2013 and 2012, our cash expenditures on property and equipment (excluding rental fleet) were \$26.5 million and \$18.8 million, respectively, exclusive of acquisitions, transfers between equipment inventory and our rental fleet, and property and equipment purchased with long-term debt. We expect our property and equipment expenditures, exclusive of acquisitions and rental fleet, for fiscal 2014 to be approximately \$22.0 to \$27.0 million. The actual amount of our fiscal 2014 property and equipment expenditures will depend upon factors such as general economic conditions, growth prospects for our industry and our acquisition activity. We currently expect to finance property and equipment purchases with borrowings under the existing credit facilities, with available cash or with cash flow from operations. We may need to incur additional debt if we pursue any future acquisitions.

Our ability to service our debt will depend upon our ability to generate the necessary cash. This will depend on our future acquisition activity, operating performance, general economic conditions, and financial, competitive, business and other factors, some of which are beyond our immediate control. Based on our current operational performance, we believe our cash flow from operations, available cash and available borrowings under the existing credit facilities will adequately provide our liquidity needs for, at a minimum, the next 12 months.

We cannot assure you, however, that our business will generate sufficient cash flow from operations or that future borrowings will be available under the credit facilities with the Wells Fargo Bank Syndicate and CNH Capital in amounts sufficient to allow us to service our indebtedness and to meet our other commitments. If we are unable to generate sufficient cash flow from operations or to obtain sufficient future borrowings, we may be required to seek one or more alternatives such as refinancing or restructuring our indebtedness, selling material assets or operations or seeking to raise additional debt or equity capital. We cannot assure you that we will be able to succeed with one of these alternatives on commercially reasonable terms, if at all. In addition, if we pursue strategic acquisitions, we may require additional equity or debt financing to consummate the transactions, and we cannot assure you that we will succeed in obtaining this financing on favorable terms or at all. If we incur additional indebtedness to finance any of these transactions, this may place increased demands on our cash flow from operations to service the resulting increased debt. Our existing debt agreements contain restrictive covenants that may restrict our ability to adopt any of these alternatives. Any non-compliance by us under the terms of our debt agreements could result in an event of default which, if not cured, could result in the acceleration of our debt.

Certain Information Concerning Off-Balance Sheet Arrangements

As of January 31, 2013, we did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which

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would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. We are, therefore, not exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in these relationships. In the normal course of our business activities, we lease rental equipment under operating leases.

Contractual and Commercial Commitment Summary

Our contractual obligations and commercial commitments as of January 31, 2013 are summarized below:

Contractual Obligations	Total	Payments Due By Period			
		Less Than 1 Year	1 to 3 Years	3 to 5 Years	More Than 5 Years
		(in thousands)			
Long-term debt obligations(1)	\$ 75,609	\$ 12,960	\$ 24,131	\$ 35,387	\$ 3,131
Convertible debt obligations(2)	185,156	5,625	11,250	11,250	157,031
Operating lease(3)	170,792	18,996	32,860	27,624	91,312
Purchase obligations	926	344	582		
Other long-term liabilities(4)	8,879		8,879		
Total	\$ 441,362	\$ 37,925	\$ 77,702	\$ 74,261	\$ 251,474

(1) Includes obligations under notes payable issued in favor of our lenders and estimates of interest payable.

(2) Includes coupon payments of interest on the contractual payment dates and payment of the principal balance on the maturity date of May 2019.

(3) Includes minimum lease payment obligations under operating leases related to our stores. Amounts do not include insurance or tax, which we include in our operating expenses and which we estimate will be approximately \$1.8 million for the less than 1 year period, \$3.3 million for the 1-3 year period, \$3.3 million for the 3-5 year period, and \$11.2 million for the more than 5 years period for a total of approximately \$19.6 million. See Note 11 to our audited financial statements for a description of our operating lease obligations.

(4) Includes long-term portion of trade payables.

New Accounting Pronouncements

In March 2013, the FASB amended authoritative guidance on the parent's accounting for the cumulative translation adjustment upon derecognition of certain subsidiaries or groups of assets within a foreign entity or of an investment in a foreign entity, codified in ASC 830, *Foreign Currency Matters*. The amendments require an entity that ceases to have a controlling financial interest in a subsidiary or group of assets within a foreign entity to apply the guidance in ASC 830-30, *Translation of Financial Statements*, to release any related cumulative translation adjustment into net income. Accordingly, the cumulative translation adjustment should be released into net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided. For an equity method investment that is a foreign entity, the partial sale guidance in ASC 830-30-40, *Derecognition*, still applies. As such, a pro rata portion of the cumulative translation adjustment should be released into net income upon a partial sale of such an equity method investment. The guidance is effective for derecognition events occurring in fiscal years beginning after December 15, 2013, with early adoption permitted. We will adopt this guidance on February 1, 2014. Its adoption is not expected to have a material effect on our consolidated financial statements.

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In February 2013, the FASB amended authoritative guidance on reporting of amounts reclassified out of accumulated other comprehensive income, codified in ASC 220, *Comprehensive Income*. The amended guidance did not change existing disclosure requirements, but requires presentation of information about significant reclassifications out of accumulated other comprehensive income in one place within the financial statements, or cross-referenced to related footnote disclosures. The guidance is effective for reporting periods beginning after December 15, 2012, with early adoption permitted. We adopted this guidance on February 1, 2013. Its adoption did not have a material effect on our consolidated financial statements.

In January 2013, the FASB amended authoritative guidance on disclosures about offsetting assets and liabilities, codified in ASC 210, *Balance Sheet*. The amended guidance clarified that the scope of the disclosures about offsetting assets and liabilities include derivatives accounted for in accordance with ASC 815, *Derivatives and Hedging*, including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and certain securities borrowing and securities lending transactions. The guidance is effective for the interim and annual periods beginning on or after January 1, 2013. We adopted this guidance on February 1, 2013. Its adoption did not have a material effect on our consolidated financial statements.

In July 2012, the FASB amended authoritative guidance on impairment testing for indefinite-lived intangible assets, codified in ASC 350, *Intangibles Goodwill and Other*. The amended guidance provides an entity the option to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of an indefinite-lived intangible asset is impaired. If an entity determines that the fair value of the indefinite-lived intangible asset is not more likely than not impaired, then the entity is not required to perform a quantitative assessment. However, if an entity concludes that the fair value of an indefinite-lived intangible asset is more likely than not impaired, it is required to perform the impairment test by comparing the fair value with the carrying amount. An entity also has the option to bypass the qualitative assessment for any indefinite-lived intangible asset in any period and proceed directly to performing the quantitative impairment test. The guidance is effective for the interim and annual periods beginning after September 15, 2012, with early adoption permitted. We adopted this guidance on July 31, 2012 and utilized it in our annual indefinite-lived intangible assets impairment testing as of January 31, 2013. Its adoption did not have a material effect on our consolidated financial statements.

Information Regarding Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements. Such "forward-looking" information is included in this Form 10-K, including this Item 7, as well as in other materials filed or to be filed by us with the Securities and Exchange Commission (as well as information included in oral statements or other written statements made or to be made by us).

This Form 10-K contains forward-looking statements that involve risks and uncertainties. In some cases, you can identify forward-looking statements by the following words: "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "ongoing," "plan," "potential," "predict," "project," "should," "will," "would," or the negative of these terms or other comparable terminology, although not all forward-looking statements contain these words. These statements involve known and unknown risks, uncertainties and other factors that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from the information expressed or implied by these forward-looking statements. Forward-looking statements are only predictions and are not guarantees of performance. These statements are based on our management's beliefs and

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assumptions, which in turn are based on currently available information. Our forward-looking statements in this Form 10-K generally relate to the following:

our beliefs and intentions with respect to our growth strategy, including growth through acquisitions, the profitability of expansion, the types of acquisition targets we intend to pursue, our ability to identify such targets, and the industry climate for dealer consolidation;

our beliefs with respect to our competitors and our competitive advantages;

our beliefs with respect to the impact of government subsidies on the agriculture economy;

our beliefs with respect to the benefit of natural resource exploration in our operating region on our operating results;

our beliefs with respect to the impact of government regulations;

our beliefs with respect to ERP implementation and continued operations in the event of information system inoperability;

our beliefs with respect to our business strengths, including the Titan Operating Model and the growth rate of our shared resources expenditures and our marketing efforts;

our plans and beliefs with respect to real property used in our business;

our beliefs with respect to our employee relations and the impact of employee training and management strength on our revenues;

our assumptions, beliefs and expectations with respect to past and future market conditions, including interest rates, lending standards and public infrastructure spending and the impact these conditions will have on our operating results;

our beliefs with respect to the impact of our Credit Agreement on future interest expense;

our beliefs with respect to the adequacy of our capital resources and the funding of debt service obligations and capital expenditures;

our plans for future capital expenditures and dividend payments;

our cash needs and the adequacy of our working capital; and

our expectations regarding the impact of inflation.

Forward-looking statements are only predictions and are not guarantees of performance. These statements are based on our management's beliefs and assumptions, which in turn are based on currently available information. Important assumptions relating to the forward-looking

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statements include, among others, assumptions regarding demand for our products, the expansion of product offerings geographically, the timing and cost of planned capital expenditures, competitive conditions and general economic conditions. These assumptions could prove inaccurate. Forward-looking statements also involve known and unknown risks and uncertainties, which could cause actual results that differ materially from those contained in any forward-looking statement. Many of these factors are beyond our ability to control or predict. Such factors include, but are not limited to, the following:

incorrect assumptions regarding our cash needs;

general economic conditions and construction activity in the markets where we operate;

our relationships with equipment suppliers;

our substantial leverage;

the risks associated with the expansion of our business;

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our possible inability to integrate any businesses we acquire;

competitive pressures;

compliance with laws and regulations; and

other factors discussed under "Risk Factors" or elsewhere in this Form 10-K.

You should read the risk factors and the other cautionary statements made in this Form 10-K as being applicable to all related forward-looking statements wherever they appear in this Form 10-K. We cannot assure you that the forward-looking statements in this Form 10-K will prove to be accurate. Furthermore, if our forward-looking statements prove to be inaccurate, the inaccuracy may be material. In light of the significant uncertainties in these forward-looking statements, you should not regard these statements as a representation or warranty by us or any other person that we will achieve our objectives and plans in any specified time frame, if at all. Other than as required by law, we undertake no obligation to update these forward-looking statements, even though our situation may change in the future.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to various market risks, including changes in interest rates and foreign currency exchange rates. Market risk is the potential loss arising from adverse changes in market rates and prices such as interest rates and foreign currency exchange rates.

Interest Rate Risk: Exposure to changes in interest rates results from borrowing activities used to fund operations. For fixed rate debt, interest rate changes affect the fair value of financial instruments but do not impact earnings or cash flows. Conversely, for floating rate debt, interest rate changes generally do not affect the fair market value but do impact future earnings and cash flows, assuming other factors are held constant. We have both fixed and floating rate financing. Some of our floating rate credit facilities contain minimum rates of interest to be charged. Based upon balances and interest rates as of January 31, 2013, holding other variables constant, a one percentage point increase in interest rates for the next 12-month period would decrease pre-tax earnings and cash flow by approximately \$4.3 million. Conversely, a one percentage point decrease in interest rates for the next 12-month period would result in an increase to pre-tax earnings and cash flow of approximately \$4.3 million. At January 31, 2013, we had variable rate floorplan notes payable of \$689.4 million, of which approximately \$421.1 million was interest-bearing, variable notes payable and long-term debt of \$12.0 million, and fixed rate notes payable and long-term debt of \$79.2 million.

Foreign Currency Exchange Rate Risk: Foreign currency exposures arise as the result of our foreign operations. The Company is exposed to foreign currency exchange rate risk, as our net investment in our foreign operations is exposed to changes in foreign currency exchange rates. In addition, the Company is exposed to the translation of foreign currency earnings to the U.S. dollar, whereby the results of our operations and cash flows may be adversely impacted by fluctuating foreign currency exchange rates. The Company is also exposed to foreign currency transaction risk as the result of certain intercompany financing transactions. The Company attempts to manage its foreign currency exchange rate risk through the use of derivative financial instruments, primarily foreign exchange forward contracts. Based upon balances and exchange rates as of January 31, 2013, holding other variables constant, we believe that a hypothetical 10% increase or decrease in foreign exchange rates would not have a material impact on our results of operations or cash flows.

Table of Contents**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

The Consolidated Balance Sheets of the Company as of January 31, 2013 and 2012, and the related Consolidated Statements of Operations, Other Comprehensive Income, Stockholders' Equity, and Cash Flows for each of the three years in the period ended January 31, 2013, and the notes thereto have been audited by Eide Bailly LLP, an independent registered public accounting firm.

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Audited Consolidated Financial Statements	
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
Titan Machinery Inc.
West Fargo, North Dakota

We have audited the accompanying consolidated balance sheets of Titan Machinery Inc. as of January 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended January 31, 2013, and the financial statement schedule listed in the Index at Item 15. Titan Machinery Inc.'s management is responsible for these consolidated financial statements. Our responsibility is to express an opinion on these financial statements based on our 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Titan Machinery Inc. as of January 31, 2013 and 2012, and the results of its operations and its cash flows for each of the years in the three-year period ended January 31, 2013, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the financial statement schedule referred to above, when considered in relation to the consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Titan Machinery Inc.'s internal control over financial reporting as of January 31, 2013, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated April 10, 2013, expressed an unqualified opinion.

/s/ Eide Bailly LLP

Minneapolis, Minnesota
April 10, 2013

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
Titan Machinery Inc.
West Fargo, North Dakota

We have audited Titan Machinery Inc.'s internal control over financial reporting as of January 31, 2013, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Titan Machinery Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. 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 audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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 (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) 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 (3) 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.

In our opinion, Titan Machinery Inc. maintained, in all material respects, effective internal control over financial reporting as of January 31, 2013, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets and the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows of Titan Machinery Inc., and our report dated April 10, 2013, expressed an unqualified opinion.

/s/ Eide Bailly LLP

Minneapolis, Minnesota
April 10, 2013

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TITAN MACHINERY INC.
CONSOLIDATED BALANCE SHEETS
JANUARY 31, 2013 AND 2012
(in thousands, except per share data)

	January 31, 2013	January 31, 2012
ASSETS		
CURRENT ASSETS		
Cash	\$ 124,360	\$ 79,842
Receivables, net	121,786	82,518
Inventories	929,216	748,047
Prepaid expenses and other	8,178	2,108
Income taxes receivable	503	3,140
Deferred income taxes	8,357	5,370
Total current assets	1,192,400	921,025
INTANGIBLES AND OTHER ASSETS		
Noncurrent parts inventories	3,507	2,792
Goodwill	30,633	24,404
Intangible assets, net of accumulated amortization	14,359	10,793
Other	8,534	2,776
Total intangibles and other assets	57,033	40,765
PROPERTY AND EQUIPMENT, net of accumulated depreciation	194,641	126,282
TOTAL ASSETS	\$ 1,444,074	\$ 1,088,072
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 28,282	\$ 28,424
Floorplan notes payable	689,410	552,428
Current maturities of long-term debt	10,568	4,755
Customer deposits	46,775	49,540
Accrued expenses	29,590	26,735
Income taxes payable	310	
Total current liabilities	804,935	661,882
LONG-TERM LIABILITIES		
Senior convertible notes	125,666	
Long-term debt, less current maturities	56,592	57,405
Deferred income taxes	47,411	28,592
Other long-term liabilities	9,551	2,854
Total long-term liabilities	239,220	88,851
STOCKHOLDERS' EQUITY		
Common stock, par value \$.00001 per share; 45,000 shares authorized, 21,092 shares issued and outstanding at January 31, 2013; 25,000 shares authorized, 20,911 shares issued and outstanding at		

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January 31, 2012

Additional paid-in-capital	236,521	218,156
Retained earnings	160,724	118,251
Accumulated other comprehensive loss	(735)	(70)
Total Titan Machinery Inc. stockholders' equity	396,510	336,337
Noncontrolling interest	3,409	1,002
Total stockholders' equity	399,919	337,339
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,444,074	\$ 1,088,072

See Notes to Consolidated Financial Statements

Table of Contents**TITAN MACHINERY INC.****CONSOLIDATED STATEMENTS OF OPERATIONS****YEARS ENDED JANUARY 31, 2013, 2012 AND 2011****(in thousands, except per share data)**

	2013	2012	2011
REVENUE			
Equipment	\$ 1,763,877	\$ 1,303,900	\$ 855,443
Parts	242,368	201,404	140,982
Service	127,779	103,474	74,506
Rental and other	64,396	50,214	23,558
TOTAL REVENUE	2,198,420	1,658,992	1,094,489
COST OF REVENUE			
Equipment	1,600,233	1,171,618	773,060
Parts	169,164	140,096	100,281
Service	45,748	37,236	27,767
Rental and other	43,914	34,581	18,813
TOTAL COST OF REVENUE	1,859,059	1,383,531	919,921
GROSS PROFIT	339,361	275,461	174,568
OPERATING EXPENSES	247,557	193,860	130,541
INCOME FROM OPERATIONS	91,804	81,601	44,027
OTHER INCOME (EXPENSE)			
Interest and other income	1,654	1,643	1,794
Floorplan interest expense	(13,297)	(8,323)	(7,223)
Other interest expense	(9,465)	(1,347)	(1,361)
INCOME BEFORE INCOME TAXES	70,696	73,574	37,237
PROVISION FOR INCOME TAXES	(28,137)	(29,429)	(14,895)
NET INCOME INCLUDING NONCONTROLLING INTEREST	42,559	44,145	22,342
LESS: NET INCOME (LOSS) ATTRIBUTABLE TO NONCONTROLLING INTEREST	86	(15)	
NET INCOME ATTRIBUTABLE TO TITAN MACHINERY INC.	\$ 42,473	\$ 44,160	\$ 22,342
EARNINGS PER SHARE NOTE 1			
EARNINGS PER SHARE BASIC	\$ 2.02	\$ 2.21	\$ 1.25
EARNINGS PER SHARE DILUTED	\$ 2.00	\$ 2.18	\$ 1.23
WEIGHTED AVERAGE COMMON SHARES BASIC	20,787	19,809	17,658
WEIGHTED AVERAGE COMMON SHARES DILUTED	20,987	20,110	17,961

Table of Contents**TITAN MACHINERY INC.****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****YEARS ENDED JANUARY 31, 2013, 2012 AND 2011****(in thousands)**

	2013	2012	2011
NET INCOME INCLUDING NONCONTROLLING INTEREST	\$ 42,559	\$ 44,145	\$ 22,342
OTHER COMPREHENSIVE LOSS			
Foreign currency translation adjustments	(299)	(94)	
Unrealized loss on net investment hedge derivative instruments (net of tax of \$325)	(509)		
TOTAL OTHER COMPREHENSIVE LOSS	(808)	(94)	
COMPREHENSIVE INCOME	41,751	44,051	22,342
COMPREHENSIVE LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST	(57)	(39)	
COMPREHENSIVE INCOME ATTRIBUTABLE TO TITAN MACHINERY INC.	\$ 41,808	\$ 44,090	\$ 22,342

See Notes to Consolidated Financial Statements

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TITAN MACHINERY INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

YEARS ENDED JANUARY 31, 2013, 2012 AND 2011

(in thousands)

	Common Stock Shares Outstanding	Additional Paid-In Capital Amount	Retained Earnings	Accumulated Other Comprehensive Loss	Total Titan Machinery Inc. Stockholders' Equity	Noncontrolling Interest	Total Stockholders' Equity
BALANCE, JANUARY 31, 2010	17,777	\$ 138,775	\$ 51,749	\$	\$ 190,524	\$	\$ 190,524
Common stock issued on grant of restricted stock, exercise of stock options and warrants, and tax benefits of equity awards	140	534			534		534
Stock-based compensation expense		1,157			1,157		1,157
Net income			22,342		22,342		22,342
BALANCE, JANUARY 31, 2011	17,917	140,466	74,091		214,557		214,557
Common stock issued in follow-on offering	2,760	74,898			74,898		74,898
Common stock issued on grant of restricted stock, exercise of stock options and warrants, and tax benefits of equity awards	234	1,663			1,663		1,663
Issuance of subsidiary shares to noncontrolling interest holders		(239)			(239)	1,041	802
Stock-based compensation expense		1,368			1,368		1,368
Comprehensive income:							
Net income (loss)			44,160		44,160	(15)	44,145
Other comprehensive loss				(70)	(70)	(24)	(94)
Total comprehensive income (loss)					44,090	(39)	44,051
BALANCE, JANUARY 31, 2012	20,911	218,156	118,251	(70)	336,337	1,002	337,339
Senior convertible notes offering		15,546			15,546		15,546
Common stock issued on grant of restricted stock, exercise of stock options and warrants, and tax benefits of equity awards	181	1,189			1,189		1,189
Issuance of subsidiary shares to noncontrolling interest holders						2,464	2,464
Stock-based compensation expense		1,630			1,630		1,630
Comprehensive income:							
Net income			42,473		42,473	86	42,559
Other comprehensive loss				(665)	(665)	(143)	(808)
Total comprehensive income (loss)					41,808	(57)	41,751
BALANCE, JANUARY 31, 2013	21,092	\$ 236,521	\$ 160,724	\$ (735)	\$ 396,510	\$ 3,409	\$ 399,919

See Notes to Consolidated Financial Statements

Table of Contents**TITAN MACHINERY INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS****YEARS ENDED JANUARY 31, 2013, 2012 AND 2011****(in thousands)**

	2013	2012	2011
OPERATING ACTIVITIES			
Net income including noncontrolling interest	\$ 42,559	\$ 44,145	\$ 22,342
Adjustments to reconcile net income to net cash used for operating activities			
Depreciation and amortization	23,464	15,263	8,969
Deferred income taxes	6,108	16,029	1,675
Stock-based compensation expense	1,630	1,368	1,157
Noncash interest expense	3,440	535	126
Other, net	(1,171)	(233)	(237)
Changes in assets and liabilities, net of purchase of equipment dealerships assets and assumption of liabilities			
Receivables, prepaid expenses and other assets	(41,598)	(32,695)	(19,873)
Inventories	(144,021)	(261,597)	(63,108)
Floorplan notes payable	(5,709)	4,195	(12,992)
Accounts payable, customer deposits, accrued expenses and other long-term liabilities	(2,739)	36,428	23,245
Income taxes	2,712	(5,623)	3,688
NET CASH USED FOR OPERATING ACTIVITIES	(115,325)	(182,185)	(35,008)
INVESTING ACTIVITIES			
Rental fleet purchases	(13,358)	(2,642)	(3,429)
Property and equipment purchases (excluding rental fleet)	(26,474)	(18,780)	(13,303)
Net proceeds from sale of property and equipment	8,422	3,342	892
Purchase of equipment dealerships, net of cash purchased	(31,877)	(48,448)	(32,312)
Other, net	(825)	(99)	(296)
NET CASH USED FOR INVESTING ACTIVITIES	(64,112)	(66,627)	(48,448)
FINANCING ACTIVITIES			
Proceeds from senior convertible notes offering, net of direct issuance costs of \$4,753	145,247		
Proceeds from follow-on offering of common stock, net of underwriting discount of \$4,166 and other direct costs of \$286		74,898	
Net change in non-manufacturer floorplan notes payable	108,417	168,118	82,371
Proceeds from long-term debt borrowings	113,967	37,832	23,259
Principal payments on long-term debt	(145,509)	(30,067)	(20,385)
Proceeds from sale of subsidiary shares to noncontrolling interest holders	2,464	802	
Other, net	(359)	990	(1,862)
NET CASH PROVIDED BY FINANCING ACTIVITIES	224,227	252,573	83,383
EFFECT OF EXCHANGE RATE CHANGES ON CASH EQUIVALENTS	(272)	(31)	
NET CHANGE IN CASH AND CASH EQUIVALENTS	44,518	3,730	(73)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	79,842	76,112	76,185
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 124,360	\$ 79,842	\$ 76,112
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Cash paid during the period			
Income taxes, net of refunds	\$ 18,625	\$ 18,733	\$ 9,226
Interest	\$ 17,733	\$ 9,004	\$ 9,103

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SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES

Net property and equipment financed with long-term debt	\$	36,482	\$	9,755	\$	2,980
Net transfer of assets to property and equipment from inventories	\$	15,374	\$	36,377	\$	3,219
Net transfer of financing to long-term debt from floorplan notes payable	\$		\$	1,696	\$	3,084

See Notes to Consolidated Financial Statements

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TITAN MACHINERY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 BUSINESS ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Titan Machinery Inc. (the "Company") is engaged in the retail sale, service and rental of agricultural and construction machinery through stores in the United States and Europe. The Company's North American stores are located in Arizona, Colorado, Iowa, Minnesota, Montana, Nebraska, North Dakota, South Dakota, Wisconsin and Wyoming, and its European stores are located in Bulgaria, Romania, Serbia and Ukraine. Subsequent to the Company's year ended January 31, 2013, the Company began operating in the state of New Mexico.

Seasonality

The Company's quarterly operating results are subject to fluctuation due to varying weather patterns, which may impact the timing and amount of equipment purchases, rentals, and after-sales parts and service purchases by its Agriculture and Construction customers.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned and majority-owned subsidiaries. All significant accounts, transactions and profits between the consolidated companies have been eliminated in consolidation.

The accounts of the Company's foreign subsidiaries are consolidated as of December 31 of each year. No events occurred related to these subsidiaries in January 2013 that would have materially affected the consolidated financial position, results of operations or cash flows.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency and comparability between periods presented.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates, particularly related to realization of inventory, initial valuation and impairment analyses of intangible assets, collectability of receivables, and income taxes.

Concentrations of Credit Risk

The Company's sales are to agricultural and construction equipment customers principally in the states and European countries in which its stores are located. The Company extends credit to its customers in the ordinary course of business and monitors its customers' financial condition to minimize its risks associated with trade receivables; however, the Company does not generally require collateral on trade receivables.

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TITAN MACHINERY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 1 BUSINESS ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

A portion of the Company's cash balances are maintained in bank deposit accounts, which are in excess of federally insured limits.

Concentrations in Operations

The Company currently purchases new and rental equipment and related parts from a limited number of manufacturers. Although no change in suppliers is anticipated, the occurrence of such a change could cause a possible loss of sales and adversely affect operating results. The Company is the holder of authorized dealerships granted by CNH America, LLC and CNH International SA (collectively referred to "CNH") whereby it has the right to act as an authorized dealer for the entities' equipment. The dealership authorizations and floorplan facilities can be cancelled by the respective entity if the Company does not observe certain established guidelines and covenants.

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less on their acquisition date to be cash equivalents. There were no cash equivalents outstanding on January 31, 2013 or 2012.

Receivables and Credit Policy

Trade accounts receivable due from customers are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. Balances unpaid after 30 days are considered past due and begin to accrue interest. Payments of trade receivables are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified, are applied to the earliest unpaid invoices. Trade accounts receivable due from manufacturers relate to discount programs, incentive programs and repair services performed on equipment with a remaining factory warranty. Trade accounts receivable due from finance companies primarily consist of contracts in transit with finance companies and balances due from credit card companies. These receivables do not generally have established payment terms but are collected in relatively short time periods.

The carrying amount of trade receivables is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. Management reviews aged receivable balances and estimates the portion, if any, of the balance that will not be collected. Account balances are charged off after all appropriate means of collection have been exhausted and the potential for recovery is considered remote.

Inventories

New and used equipment are stated at the lower of cost (specific identification) or market value with adjustments for decreases in market value on inventory rented but available for sale, estimated as a percentage of the rental income received on such inventory. All new and used equipment inventories, including that which has been rented, are subject to periodic lower of cost or market evaluation that considers various factors including aging of equipment and market conditions. Equipment inventory values are adjusted whenever the estimated market value exceeds the carrying amount. Parts inventories are valued at the lower of average cost or market value. An estimate of parts inventories not expected to be sold in the next year has been reported separately, which is based on historical sales of parts on hand. The Company estimates a reserve on its parts inventories based on various factors including

Table of Contents**TITAN MACHINERY INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE 1 BUSINESS ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

aging and sales of each type of parts inventory. Work in process is valued at the retail rates of labor incurred and parts inventories used on service work in process at year end.

Property and Equipment

Property and equipment is carried at cost less accumulated depreciation and amortization. Depreciation and amortization are computed on a straight-line basis over the estimated useful life of each asset, as summarized below:

Buildings and leasehold improvements	Lesser of 10 - 40 years or lease term
Machinery and equipment	3 - 10 years
Furniture and fixtures	3 - 10 years
Vehicles	5 - 10 years
Rental fleet	3 - 10 years

Depreciation for income tax reporting purposes is computed using accelerated methods.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net assets, including identifiable intangible assets, of the businesses acquired. Goodwill is not amortized, but is tested for impairment annually, or more frequently upon the occurrence of certain events or when circumstances indicate that impairment may be present. We perform our annual impairment test as of the end of our fiscal year.

Goodwill is tested for impairment at the reporting unit level. A reporting unit is defined as an operating segment or one level below an operating segment (referred to as a component). A component of an operating segment is a reporting unit if the component constitutes a business for which discrete financial information is available and segment management regularly reviews the operating results of that component. We have identified four reporting units which carry a goodwill balance.

An entity may assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Alternatively, an entity has an unconditional option to bypass the qualitative assessment for any reporting unit in any period and proceed directly to performing the quantitative impairment analysis. The quantitative impairment analysis is performed under a two-step impairment model, in which under step one, the fair value of a reporting unit is compared to its carrying value. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired and the second step of the impairment test is unnecessary. However, if the carrying amount of a reporting unit exceeds its fair value, the second step of the impairment test is performed to measure the amount of impairment, if any.

In 2012, for all reporting units, we elected to analyze qualitative factors to determine whether it is more likely than not that the fair value of each reporting unit is less than its carrying amount. Based on this assessment, we concluded that this condition, for all reporting units, did not exist, and thus goodwill was not impaired. For 2013, we performed the quantitative goodwill impairment test comparing the estimated fair value of each reporting unit to its carrying value. We estimated the fair

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TITAN MACHINERY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 1 BUSINESS ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

value of our reporting units based primarily on a discounted cash flow analysis, an income approach. Based on our analyses, we concluded that goodwill was not impaired.

Intangible Assets

Intangible assets with a finite life consist of customer relationships and covenants not to compete, and are carried at cost less accumulated amortization. The Company amortizes the cost of identified intangible assets on a straight-line basis over the expected period of benefit, which is three years for customer relationships and the contractual term for covenants not to compete, which range from three to ten years.

Intangible assets with an indefinite life consist of distribution rights with manufacturers. We classify distribution rights as an indefinite-lived intangible asset because our distribution agreements continue indefinitely by their terms, or are routinely awarded or renewed without substantial cost to us or material modifications to the underlying agreements. As such, we believe that our distribution rights intangible assets will contribute to our cash flows for an indefinite period; therefore, the carrying amount of distribution rights is not amortized, but is tested for impairment annually, or more frequently upon the occurrence of certain events or when circumstances indicate that impairment may be present. We perform our annual impairment test as of December 31st of each year. The impairment test is performed by comparing the carrying value to its estimated fair value.

Indefinite-lived intangible assets are tested for impairment at the lowest level in which identifiable cash flows can be attributed to the asset. For our distribution rights intangible assets, we have determined that the lowest level of cash flows which can be attributed to the asset is equal to the store, or complex of stores, acquired in the business combination which resulted in the initial recognition of the intangible asset, plus any additional store locations operating within the geographical area of the distribution rights.

Under the impairment test, we estimated the fair value of our distribution rights intangible assets based on a multi-period excess earnings model, an income approach. Based on our annual impairment tests performed as of December 31, 2012 and 2011, we concluded that our distribution rights intangible assets were not impaired.

Impairment of Long-Lived Assets

Our long-lived assets consist of our property and equipment and intangible assets. In accordance with the guidance for the impairment of long-lived assets, we review these assets for potential impairment when events or circumstances indicate that the carrying value may not be recoverable. Recoverability is measured by comparing the estimated future undiscounted cash flows of such assets to their carrying values to determine if an adjustment is necessary. If necessary, we measure impairment losses based on the amount by which the carrying amounts of these assets exceed their fair values. No impairment was recognized during the years ended January 31, 2013 and 2012.

Derivative Instruments

In the normal course of business, the Company is subject to risk from adverse fluctuations in foreign currency exchange rates. The Company manages its foreign currency exposure through a program that includes the use of derivative instruments, primarily foreign exchange forward contracts.

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TITAN MACHINERY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 1 BUSINESS ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company's objective in managing its exposure to foreign currency risk is to minimize the impact on earnings, cash flows and the consolidated balance sheet. The Company does not use derivative instruments for trading or speculative purposes.

All outstanding derivative instruments are recognized in the consolidated balance sheet at fair value. The effect on earnings from recognizing the fair value of the derivative instrument depends on its intended use, the hedge designation, and the effectiveness in offsetting the exposure of the underlying hedged item. Changes in fair values of instruments designated to reduce or eliminate fluctuations in the fair values of recognized assets and liabilities and unrecognized firm commitments are reported currently in earnings along with the change in the fair value of the hedged items. Changes in the effective portion of the fair values of derivative instruments used to reduce or eliminate fluctuations in cash flows of forecasted transactions are reported in other comprehensive income, a component of stockholders' equity. Amounts accumulated in other comprehensive income are reclassified to earnings when the related hedged items affect earnings or the anticipated transactions are no longer probable. Changes in the fair value of derivative instruments designated to reduce or eliminate fluctuations in the net investment of a foreign subsidiary are reported in other comprehensive income. Changes in the fair value of derivative instruments that are not designated as hedging instruments or do not qualify for hedge accounting treatment are reported currently in earnings.

For derivative instruments accounted for as hedging instruments, the Company formally designates and documents, at inception, the instrument as a hedge of a specific underlying exposure, the risk management objective and the manner by which the effectiveness of the hedging instrument will be evaluated. At each reporting period after inception, the Company evaluates the hedging instrument's effectiveness in reducing or eliminating the underlying hedged exposure. Any hedge ineffectiveness is recognized in earnings immediately.

Fair Value Measurements

Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. Three levels of inputs may be used to measure fair value:

Level 1 Values derived from unadjusted quoted prices in active markets for identical assets and liabilities

Level 2 Values derived from observable inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets in markets that are not active.

Level 3 Values derived from unobservable inputs for which there is little or no market data available, thereby requiring the reporting entity to develop its own assumptions.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

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TITAN MACHINERY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 1 BUSINESS ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

As of January 31, 2013, the Company had recognized a derivative liability for outstanding foreign currency forward contracts which are recorded at fair value in an amount equal to \$0.1 million. Fair value was determined based on Level 2 inputs which include observable, market-based pricing components. No instruments measured at fair value were outstanding as of January 31, 2012.

Customer Deposits

Customer deposits consist of advance payments from customers, in the form of cash or equipment to be traded-in, for revenue to be recognized in the following year.

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis of receivables, inventory, property and equipment, intangible assets, stock-based compensation, senior convertible notes and accrued expenses for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. The Company's policy is to recognize interest expense and penalties related to income tax matters within its provision for income taxes. The Company performs a comprehensive review of its portfolio of uncertain tax positions in accordance with the requirements and recognition standards established by Accounting Standards Codification ("ASC") 740, *Income Taxes*. Pursuant to this guidance, an uncertain tax position represents the Company's expected treatment of a tax position taken, or expected to be taken, in a tax return, that has not been reflected in measuring income tax expense for financial reporting purposes.

Earnings Per Share

The Company uses the two-class method to calculate basic and diluted earnings per share. Unvested restricted stock awards are considered participating securities because they entitle holders to non-forfeitable rights to dividends during the vesting term. Under the two-class method, basic earnings per share were computed by dividing net income attributable to Titan Machinery Inc. after allocation of income to participating securities by the weighted-average number of shares of common stock outstanding during the year.

Diluted earnings per share were computed by dividing net income attributable to Titan Machinery Inc. after allocation of income to participating securities by the weighted-average shares of common stock outstanding after adjusting for potential dilution related to the conversion of all dilutive securities into common stock. All potentially dilutive securities were included in the computation of diluted earnings per share. There were approximately 10,000, 119,000 and 131,000 stock options outstanding as of January 31, 2013, 2012 and 2011, respectively, which were not included in the computation of diluted earnings per share because they were anti-dilutive. None of the approximately 3,474,000 shares underlying our Convertible Notes were included in the computation of diluted earnings per share because the Company's average stock price was less than the conversion price of \$43.17.

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TITAN MACHINERY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 1 BUSINESS ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following table sets forth the calculation of basic and diluted earnings per share:

	2013	2012	2011
	(in thousands, except per share data)		
Numerator			
Net income attributable to Titan Machinery Inc.	\$ 42,473	\$ 44,160	\$ 22,342
Net income allocated to participating securities	(443)	(409)	(232)
Net income attributable to Titan Machinery Inc. common stockholders	\$ 42,030	\$ 43,751	\$ 22,110
Denominator			
Basic weighted-average common shares outstanding	20,787	19,809	17,658
Plus: Incremental shares from assumed conversions of stock options and warrants	200	301	303
Diluted weighted-average common shares outstanding	20,987	20,110	17,961
Earnings per share basic	\$ 2.02	\$ 2.21	\$ 1.25
Earnings per share diluted	\$ 2.00	\$ 2.18	\$ 1.23

Revenue Recognition

Equipment revenue is generally recognized upon receipt of a signed sales contract and delivery of product to customers. However, in certain circumstances, and upon the customer's written request, equipment revenue is recognized before delivery occurs. Under these bill and hold arrangements, the equipment is available for shipment, the Company has fulfilled all of its performance obligations and received a signed sales contract, and the customer has completed and signed a bill and hold agreement. Credit terms on bill and hold arrangements are consistent with credit terms on all other equipment sales. Parts revenue is recognized upon delivery of product to customers. Service revenue is recognized at the time the related services are provided. Rental revenue is recognized over the period of the related rental agreement. In addition to outright sales of new and used equipment, certain rental agreements may include rent-to-purchase options. Under these agreements, customers are given a period of time to exercise an option to purchase the related equipment, with a portion of the rental payments being applied to reduce the purchase price. Payments received during the rental period are recorded as rental revenue. Any such equipment is included in inventory until the purchase option is exercised, and the carrying value of the equipment is reduced in accordance with the Company's aforementioned policy. Equipment revenue is recognized upon the exercise of the purchase option.

Sales, Excise and Value Added Taxes

The Company has customers in states and municipalities in which those governmental units impose a sales tax on certain sales. The U.S. federal government imposes excise taxes on certain sales. Certain governments of the foreign countries in which we operate impose value added taxes on certain sales. The Company collects those sales and excise taxes from its customers and remits the entire amount to the various governmental units. The Company's accounting policy is to exclude the tax collected and remitted from revenue and cost of revenue.

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TITAN MACHINERY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 1 BUSINESS ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Shipping and Handling Costs

Shipping and handling costs are recorded as cost of revenue and amounts billed to customers for shipping and handling costs are recorded in revenue.

Lessor Accounting

The Company leases equipment from its rental fleet and equipment inventory to customers on operating leases over periods primarily less than one year. These leases require a minimum rental payment and contingent rental payment based on machine hours. Rental revenue totaled \$54.6 million, \$42.0 million and \$18.2 million for the years ended January 31, 2013, 2012 and 2011, respectively. As of January 31, 2013, the Company had \$105.7 million of rental fleet included in property and equipment, net of accumulated depreciation of \$16.8 million. As of January 31, 2012, the Company had \$62.4 million of rental fleet included in property and equipment, net of accumulated depreciation of \$7.7 million.

Manufacturer Incentives and Discounts

The Company receives various manufacturer incentives and discounts, which are based on a variety of factors. The Company accounts for such programs in accordance with the provisions of ASC 605-50, *Customer's Accounting for Certain Consideration Received from a Vendor*. Discounts and incentives related to the purchase of inventory are recognized as a reduction of inventory prices and recognized as a reduction of cost of revenue when the related inventory is sold. Sales-related discounts and incentives are recognized as a reduction of cost of revenue when the related inventory is sold. Financing-related incentives are recognized as other income when earned. Other incentives, reflecting reimbursement of qualifying expenses, are recognized as a reduction of the related expense when earned.

Advertising Costs

Costs incurred for producing and distributing advertising are expensed as incurred. Advertising expense amounted to \$5.6 million, \$4.3 million and \$3.0 million for the years ended January 31, 2013, 2012, and 2011, respectively.

Comprehensive Income and Foreign Currency Matters

For the Company, comprehensive income represents net income adjusted for foreign currency items, including foreign currency translation adjustments and unrealized gains or losses on net investment hedge derivative instruments. For its foreign subsidiaries in which their local currency is their functional currency, assets and liabilities are translated into U.S. dollars at the balance sheet date exchange rate. Income and expenses are translated at average exchange rates for the year. Foreign currency translation adjustments are recorded directly as other comprehensive income, a component of stockholders' equity. For its foreign subsidiaries in which the local currency is not the functional currency, prior to translation into U.S. dollars, amounts must first be remeasured from the local currency into the functional currency. Nonmonetary assets and liabilities are translated at historical exchange rates and monetary assets and liabilities are translated at the balance sheet date exchange rate. Income and expenses are translated at average exchange rates for the year. Foreign currency remeasurement adjustments are included in the statement of operations.

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TITAN MACHINERY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 1 BUSINESS ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company recognized a net foreign currency transaction gain of \$0.9 million for the year ended January 31, 2013, exclusive of the loss recognized on the foreign exchange contracts disclosed in Note 9. The impact of foreign currency transactions was immaterial for the year ended January 31, 2012.

Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with the provisions of ASC 718, *Compensation - Stock Compensation*. This guidance requires that stock-based compensation, which includes stock options and restricted stock, be accounted for at the fair value of the applicable equity instrument. Additional information regarding stock-based compensation is summarized in Note 14.

Business Combinations

The Company accounts for business combinations in accordance with the provisions of ASC 805, *Business Combinations*, which requires the purchase price to be allocated amongst the assets acquired, including identifiable intangible assets, and liabilities assumed based on the fair values of the acquired assets and assumed liabilities. This guidance allows the acquirer to finalize the acquisition accounting during the measurement period, which may not exceed one year from the date of acquisition. During the measurement period the Company's accounting for the business combination transaction may be based on estimates due to various unknown factors present at the date of acquisition.

Segment Reporting

The Company operates its business in two reportable segments, the Agriculture segment and Construction segment, in accordance with the provisions of ASC 280, *Segment Reporting*. Information regarding these segments is summarized in Note 18.

Recent Accounting Guidance

In March 2013, the FASB amended authoritative guidance on the parent's accounting for the cumulative translation adjustment upon derecognition of certain subsidiaries or groups of assets within a foreign entity or of an investment in a foreign entity, codified in ASC 830, *Foreign Currency Matters*. The amendments require an entity that ceases to have a controlling financial interest in a subsidiary or group of assets within a foreign entity to apply the guidance in ASC 830-30, *Translation of Financial Statements*, to release any related cumulative translation adjustment into net income. Accordingly, the cumulative translation adjustment should be released into net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided. For an equity method investment that is a foreign entity, the partial sale guidance in ASC 830-30-40, *Derecognition*, still applies. As such, a pro rata portion of the cumulative translation adjustment should be released into net income upon a partial sale of such an equity method investment. The guidance is effective for derecognition events occurring in fiscal years beginning after December 15, 2013, with early adoption permitted. The Company will adopt this guidance on February 1, 2014. Its adoption is not expected to have a material effect on the Company's consolidated financial statements.

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TITAN MACHINERY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 1 BUSINESS ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

In February 2013, the FASB amended authoritative guidance on reporting of amounts reclassified out of accumulated other comprehensive income, codified in ASC 220, *Comprehensive Income*. The amended guidance did not change existing disclosure requirements, but requires presentation of information about significant reclassifications out of accumulated other comprehensive income in one place within the financial statements, or cross-referenced to related footnote disclosures. The guidance is effective for reporting periods beginning after December 15, 2012, with early adoption permitted. The Company adopted this guidance on February 1, 2013. Its adoption did not have a material effect on the Company's consolidated financial statements.

In January 2013, the FASB amended authoritative guidance on disclosures about offsetting assets and liabilities, codified in ASC 210, *Balance Sheet*. The amended guidance clarified that the scope of the disclosures about offsetting assets and liabilities include derivatives accounted for in accordance with ASC 815, *Derivatives and Hedging*, including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and certain securities borrowing and securities lending transactions. The guidance is effective for the interim and annual periods beginning on or after January 1, 2013. The Company adopted this guidance on February 1, 2013. Its adoption did not have a material effect on the Company's consolidated financial statements.

In July 2012, the FASB amended authoritative guidance on impairment testing for indefinite-lived intangible assets, codified in ASC 350, *Intangibles Goodwill and Other*. The amended guidance provides an entity the option to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of an indefinite-lived intangible asset is impaired. If an entity determines that the fair value of the indefinite-lived intangible asset is not more likely than not impaired, then the entity is not required to perform a quantitative assessment. However, if an entity concludes that the fair value of an indefinite-lived intangible asset is more likely than not impaired, it is required to perform the impairment test by comparing the fair value with the carrying amount. An entity also has the option to bypass the qualitative assessment for any indefinite-lived intangible asset in any period and proceed directly to performing the quantitative impairment test. The guidance is effective for the interim and annual periods beginning after September 15, 2012, with early adoption permitted. The Company adopted this guidance on July 31, 2012 and utilized it in the Company's annual indefinite-lived intangible assets impairment testing as of January 31, 2013. Its adoption did not have a material effect on the Company's consolidated financial statements.

Table of Contents**TITAN MACHINERY INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE 2 RECEIVABLES**

	January 31, 2013	January 31, 2012
	(in thousands)	
Trade accounts receivable		
Due from customers	\$ 45,222	\$ 28,251
Due from finance companies	47,967	31,181
Due from manufacturers	29,909	23,082
Total trade accounts receivable	123,098	82,514
Other receivables	1,025	724
	124,123	83,238
Less allowance for doubtful accounts	(2,337)	(720)
	\$ 121,786	\$ 82,518

NOTE 3 INVENTORIES

	January 31, 2013	January 31, 2012
	(in thousands)	
New equipment	\$ 542,180	\$ 445,513
Used equipment	275,626	219,849
Parts and attachments	103,456	76,073
Work in process	7,954	6,612
	\$ 929,216	\$ 748,047

In addition to the above amounts, the Company has estimated that a portion of its parts inventory will not be sold in the next year. Accordingly, these balances have been classified as noncurrent assets.

NOTE 4 PROPERTY AND EQUIPMENT

	January 31, 2013	January 31, 2012
	(in thousands)	
Rental fleet equipment	\$ 105,681	\$ 62,440
Machinery and equipment	21,086	17,562
Vehicles	38,742	28,277
Furniture and fixtures	27,766	19,097
Land, buildings, and leasehold improvements	56,845	34,705
	250,120	162,081
Less accumulated depreciation	(55,479)	(35,799)
	\$ 194,641	\$ 126,282

Depreciation expense amounted to \$22.7 million, \$14.7 million and \$8.9 million for the years ended January 31, 2013, 2012 and 2011, respectively.

Table of Contents**TITAN MACHINERY INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE 5 INTANGIBLE ASSETS AND GOODWILL**

The following is a summary of intangible assets with finite lives as of January 31, 2013 and 2012:

	Cost	Accumulated Amortization (in thousands)	Net
Balance, January 31, 2013			
Covenants not to compete	\$ 2,280	\$ (1,008)	\$ 1,272
Customer relationships	1,467	(703)	764
	\$ 3,747	\$ (1,711)	\$ 2,036
Balance, January 31, 2012			
Covenants not to compete	\$ 2,007	\$ (652)	\$ 1,355
Customer relationships	1,054	(298)	756
	\$ 3,061	\$ (950)	\$ 2,111

The Company acquired intangible assets with finite lives, consisting of covenants not to compete totaling \$0.3 million with a weighted-average amortization period of 3.7 years and customer relationships totaling \$0.4 million with a weighted-average amortization period of 3.0 years, as part of the business combinations during the year ended January 31, 2013. The Company acquired intangible assets with finite lives, consisting of covenants not to compete totaling \$0.9 million with a weighted-average amortization period of 5.0 years and customer relationships totaling \$0.6 million with a weighted-average amortization period of 2.9 years, as part of the business combinations completed during the year ended January 31, 2012. Amortization expense was \$0.8 million, \$0.6 million and \$0.1 million for the years ended January 31, 2013, 2012 and 2011, respectively.

Future amortization expense, as of January 31, 2013, is expected to be as follows:

Years ending January 31,	Amount (in thousands)
2014	\$ 843
2015	606
2016	418
2017	100
2018	30
Thereafter	39
	\$ 2,036

Indefinite lived intangible assets consisted of distribution rights totaling \$12.3 million and \$8.7 million as of January 31, 2013 and 2012, respectively. The Company acquired distribution rights of \$3.6 million and \$5.1 million as part of business combinations during the years ended January 31, 2013 and 2012, respectively.

Table of Contents**TITAN MACHINERY INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE 5 INTANGIBLE ASSETS AND GOODWILL (Continued)**

Changes in the carrying amount of goodwill during the years ended January 31, 2013 and 2012 are summarized as follows:

	Agriculture	Construction	Total
	(in thousands)		
Balance, January 31, 2011	\$ 16,330	\$ 2,061	\$ 18,391
Arising in completed business combinations	2,404	1,706	4,110
Adjustments to business combinations completed in prior years	1,923		1,923
Foreign currency translation adjustment	(20)		(20)
Balance, January 31, 2012	20,637	3,767	24,404
Arising in completed business combinations	1,432	1,500	2,932
Adjustments to business combinations completed in prior years	3,277		3,277
Foreign currency translation adjustment	20		20
Balance, January 31, 2013	\$ 25,366	\$ 5,267	\$ 30,633

The adjustment to goodwill arising from business combinations completed in prior years is the result of additional consideration earned and paid pursuant to business combinations accounted for under the purchase method of accounting which required that additional consideration be recognized once all contingencies have been resolved and that such consideration be included as an additional cost of the entity and therefore recognized as goodwill.

NOTE 6 LINES OF CREDIT/FLOORPLAN NOTES PAYABLE*Senior Secured Credit Facility Operating and Floorplan Lines of Credit*

As of January 31, 2013, the Company had an amended and restated credit agreement with a group of banks led by Wells Fargo Bank, National Association (the "Wells Fargo"), which provided for a \$375.0 million wholesale floorplan line of credit (the "Floorplan Line") and a \$75.0 million working capital line of credit (the "Working Capital Line"). The amount available under the Floorplan Line is reduced by adjustments based on borrowing base calculations and various standby letters of credit denominated in Euros and U.S. dollars used to guarantee equipment purchases from CNH by the Company's foreign subsidiaries. The credit agreement has a variable interest rate on outstanding balances of LIBOR plus an applicable margin of 1.5% to 2.625% per annum, depending upon the Company's consolidated leverage ratio, has a 0.3% to 0.4% non-usage fee on the average monthly unused amount and requires monthly payments of accrued interest. The credit agreement is secured by all assets of the Company and contains certain financial covenants that impose a minimum fixed charge coverage ratio and a maximum debt to tangible net worth ratio, and requires prior approval of acquisitions exceeding certain thresholds. The credit agreement also restricts the Company's ability to make certain cash payments without prior approval, including payments for stock repurchases and cash dividends, except that it permits paying cash dividends in an amount not to exceed 50% of consolidated net income for the then trailing four quarters, so long as no default or event of default exists prior to or immediately following such action or otherwise results from such action. The credit agreement expires March 30, 2016. As of January 31, 2013, the Company was in compliance with all financial covenants.

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TITAN MACHINERY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 6 LINES OF CREDIT/FLOORPLAN NOTES PAYABLE (Continued)

The Floorplan Line is used to finance equipment inventory purchases. Amounts outstanding are recorded as floorplan notes payable, within current liabilities on the consolidated balance sheets, as the Company intends to repay amounts borrowed within one year.

The Working Capital Line is used to finance working capital requirements of the Company. Amounts outstanding are recorded as long-term debt, within long-term liabilities on the consolidated balance sheets, as the Company does not have the intention or obligation to repay amounts borrowed within one year. The balances outstanding on the Working Capital Line as of January 31, 2013 and 2012 are disclosed in Note 8.

Floorplan Lines of Credit

As of January 31, 2013, the Company had discretionary floorplan lines of credit for equipment purchases totaling approximately \$1.0 billion with various lending institutions, including the aforementioned \$375.0 million Floorplan Line with Wells Fargo, a \$450.0 million credit facility with CNH Capital and \$175.0 million credit facility with Agricredit Acceptance LLC ("Agricredit"). Floorplan notes payable relating to these credit facilities totaled approximately \$629.8 million of the total floorplan notes payable balance of \$689.4 million outstanding as of January 31, 2013 and \$505.6 million of the total floorplan notes payable balance of \$552.4 million outstanding as of January 31, 2012. As of January 31, 2013, the Company had approximately \$307.1 million in available borrowings remaining under these lines of credit (net of adjustments based on borrowing base calculations and standby letters of credit under the aforementioned credit agreement, and rental fleet financing and other acquisition-related financing arrangements under the CNH Capital credit facility). These floorplan notes carried various interest rates primarily ranging from 2.83 to 7.25% as of January 31, 2013, subject to interest-free periods offered by CNH Capital. As of January 31, 2013, the Company was in compliance with all floorplan financial covenants.

The available borrowings under the CNH Capital credit facility are reduced by outstanding floorplan notes payable, rental fleet financing and other acquisition-related financing arrangements with CNH Capital. The CNH Capital credit facility has interest rates equal to the prime rate plus 4% on new borrowings, subject to any interest-free periods offered by CNH Capital, and automatically renews on August 31 of each year unless earlier terminated by either party. The CNH Capital credit facility contains certain financial covenants that impose maximum levels of adjusted debt to tangible net worth and debt service ratios.

It also contains various restrictive covenants that require prior consent of CNH Capital if the Company desires to engage in any acquisition of, consolidation or merger with any other business entity in which the Company is not the surviving company; create subsidiaries; move any collateral outside of the U.S.; or sell, rent, lease or otherwise dispose or transfer any of the collateral, other than in the ordinary course of business. CNH Capital's consent is also required for the acquisition of any CNH dealership. In addition, the CNH Capital credit facility restricts the Company's ability to incur any liens upon any substantial part of its assets. The balances outstanding with CNH Capital are secured by the related inventory. Repayment terms vary by individual notes, but generally payments are made from sales proceeds or rental revenue from the related inventories.

The Agricredit credit facility may be used to purchase or refinance new and used equipment inventory and has a variable interest rate on outstanding balances of LIBOR plus an applicable margin of 4.75% to 5.25% per annum, depending upon the Company's average daily outstanding balance. The

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TITAN MACHINERY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 6 LINES OF CREDIT/FLOORPLAN NOTES PAYABLE (Continued)

Agricredit credit facility allows for increase, decrease or termination of the credit facility by Agricredit on 90 days notice. Under covenants of the Agricredit credit facility, the Company had agreed, among other things, to maintain various financial ratio levels, to submit certain financial information, and to obtain prior consent from Agricredit if the Company desired to engage in any acquisition meeting certain financial thresholds. The balances outstanding with Agricredit are secured by the related inventory. Repayment terms vary by individual notes, but generally payments are made from sales proceeds or rental revenue from the related inventories.

NOTE 7 SENIOR CONVERTIBLE NOTES

On April 24, 2012, the Company issued through a private offering \$150 million of 3.75% Senior Convertible Notes (the "Convertible Notes"). The Convertible Notes bear interest at a rate of 3.75% per year, payable semi-annually in arrears on May 1 and November 1 of each year, commencing on November 1, 2012. The Convertible Notes mature on May 1, 2019, unless earlier purchased by the Company, redeemed or converted.

The Convertible Notes are unsecured and unsubordinated obligations; rank equal in right of payment to the Company's existing and future unsecured indebtedness that is not subordinated; are effectively subordinated in right of payment to the Company's existing and future secured indebtedness; and are structurally subordinated to all existing and future indebtedness and liabilities of the Company's subsidiaries.

The Convertible Notes are initially convertible into the Company's common stock at a conversion rate of 23.1626 shares of common stock per \$1,000 principal amount of convertible notes, representing an initial effective conversion price of \$43.17 per share of common stock. The conversion rate may be subject to adjustment upon the occurrence of certain specified events as provided in the indenture governing the Convertible Notes, dated April 24, 2012 between the Company and Wells Fargo Bank, National Association, as trustee (the "Indenture"), but will not be adjusted for accrued but unpaid interest. Upon conversion of a Convertible Note, the Company will settle the conversion obligation in cash up to the aggregate principal amount of the Convertible Note being converted, and any conversion obligation in excess thereof will be settled in cash, shares of the Company's common stock, or a combination thereof, at the Company's election, subject to certain limitations as defined in the Indenture.

Holders of the Convertible Notes may convert their notes at the applicable conversion rate under the following circumstances:

- i. During any fiscal quarter commencing after July 31, 2012, if for at least 20 trading days (whether or not consecutive) during the 30 consecutive trading day period ending on the last trading day of the immediately preceding fiscal quarter, the last reported sale price of the Company's common stock on such trading day is greater than or equal to 120% of the applicable conversion price on such trading day.
- ii. During the five consecutive business day period immediately following any five consecutive trading day period in which, for each trading day of that period, the trading price per \$1,000 principal amount of the Convertible Notes is less than 98% of the product of the last reported sale price of the Company's common stock on such trading day and the applicable conversion rate on such trading day.

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TITAN MACHINERY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 7 SENIOR CONVERTIBLE NOTES (Continued)

- iii. If the Company calls any or all of the Convertible Notes for redemption at any time prior to the close of business on the business day immediately preceding the redemption date.
- iv. Upon the occurrence of corporate transactions specified in the Indenture.
- v. At any time on and after February 1, 2019 until the close of business on the business day immediately preceding the maturity date.

Holders of the Convertible Notes who convert their Convertible Notes in connection with a make-whole fundamental change, as defined in the Indenture, may be entitled to a make-whole premium in the form of an increase to the conversion rate. In addition, upon the occurrence of a fundamental change, as defined in the Indenture, holders of the Convertible Notes may require the Company to purchase all or a portion of their Convertible Notes for cash at a price equal to 100% of the principal amount of the Convertible Notes to be purchased plus any accrued but unpaid interest.

The number of shares the Company may deliver upon conversion of the Convertible Notes will be subject to certain limitations, and the Company is subject to certain other obligations and restrictions related to such share caps, as described in the Indenture. On or after May 6, 2015, the Company may redeem for cash all or a portion of the Convertible Notes if the last reported sale price of the Company's common stock has been at least 120% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period ending on, and including, the trading day immediately preceding the date on which the Company provides notice of redemption.

The Indenture provides for customary events of default, including, but not limited to, cross acceleration to certain other indebtedness of the Company and its subsidiaries. In the case of an event of default arising from specified events of bankruptcy or insolvency, all outstanding Convertible Notes will become due and payable immediately without further action or notice. If any other event of default under the Indenture occurs or is continuing, the trustee or holders of at least 25% in aggregate principal amount of the then outstanding Convertible Notes may declare all of the Convertible Notes to be due and payable immediately.

In accounting for the Convertible Notes, the Company segregated the liability component of the instrument from the equity component. The liability component was measured by estimating the fair value of a non-convertible debt instrument that is similar in its terms to the Convertible Notes. Fair value was estimated through discounting future interest and principal payments, an income approach, due under the Convertible Notes at a discount rate of 7.00%, an interest rate equal to the estimated borrowing rate for similar non-convertible debt. The excess of the aggregate face value of the Convertible Notes over the estimated fair value of the liability component is recognized as a debt discount which will be amortized over the expected life of the Convertible Notes using the effective interest rate method. Amortization of the debt discount is recognized as non-cash interest expense.

The equity component of the Convertible Notes is measured as the residual difference between the aggregate face value of the Convertible Notes and the estimated aggregate fair value of the liability component. The equity component will not be remeasured in subsequent periods provided that the component continues to meet the conditions necessary for equity classification.

The transaction costs incurred in connection with the issuance of the Convertible Notes were allocated to the liability and equity components based on their relative values. Transaction costs

Table of Contents**TITAN MACHINERY INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE 7 SENIOR CONVERTIBLE NOTES (Continued)**

allocated to the liability component are being amortized using the effective interest rate method and recognized as non-cash interest expense over the expected term of the Convertible Notes. Transaction costs allocated to the equity component reduced the value of the equity component recognized in stockholders' equity.

Proceeds upon issuance of the Convertible Notes were as follows:

	April 24, 2012
	(in thousands)
Principal value	\$ 150,000
Less: transaction costs	(4,753)
Net proceeds, senior convertible notes	\$ 145,247
 Amounts recognized at issuance:	
Senior convertible notes, net	\$ 123,319
Additional paid-in capital	15,546
Transaction costs allocated to the liability component	(3,907)
Long-term deferred tax liability	10,289
Net proceeds, senior convertible notes	\$ 145,247

As of January 31, 2013, the Convertible Notes consisted of the following:

	January 31, 2013
	(in thousands except
	conversion rate
	and conversion price)
Principal value	\$ 150,000
Unamortized debt discount	(24,334)
Carrying value of senior convertible notes	\$ 125,666
Carrying value of equity component, net of deferred taxes	\$ 15,546
Conversion rate (shares of common stock per \$1,000 principal amount of notes)	23.1626
Conversion price (per share of common stock)	\$ 43.17

The unamortized debt discount is amortized over a seven-year period. The if-converted value as of January 31, 2013 does not exceed the principal balance of the Convertible Notes. For the year ended January 31, 2013, the Company recognized coupon interest expense of \$4.3 million, and non-cash interest expense of \$2.3 million related to the amortization of the debt discount and \$0.4 million related to the amortization of the liability-allocated transaction costs. The effective interest rate of the liability component for the period ended January 31, 2013 was equal to 7.00%.

Table of Contents**TITAN MACHINERY INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE 8 LONG-TERM DEBT**

The following is a summary of long-term debt as of January 31, 2013 and 2012:

	January 31, 2013	January 31, 2012
	(in thousands)	
Fixed rate notes payable to Wells Fargo Bank, N.A., interest rates ranging from 3.75% to 4.50%, varying monthly installments including interest and various maturity dates through October 2017, secured by rental fleet equipment	\$ 42,634	\$ 17,832
Fixed rate notes payable to various finance companies, interest rates primarily ranging from 3.24% to 7.25%, due in monthly installments including interest and various maturity dates through January 2018, secured by fixed assets	12,403	10,278
Working Capital Line payable to the Wells Fargo Bank Syndicate (see details in Note 6)	7,138	33,934
Variable rate notes payable to GE Commercial Distribution Finance Corporation, interest rate of LIBOR + 4.1%, monthly installment payments including interest, due October 2017, secured by rental fleet equipment	4,869	
Other	116	116
	67,160	62,160
Less current maturities	(10,568)	(4,755)
	\$ 56,592	\$ 57,405

Long-term debt maturities are as follows:

Years Ending January 31,	Amount (in thousands)
2014	\$ 10,568
2015	9,793
2016	10,695
2017	21,833
2018	12,096
Thereafter	2,175
	\$ 67,160

NOTE 9 DERIVATIVE INSTRUMENTS

The Company holds derivative instruments for the purpose of minimizing exposure to fluctuations in foreign currency exchange rates to which the Company is exposed in the normal course of its operations.

Table of Contents**TITAN MACHINERY INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE 9 DERIVATIVE INSTRUMENTS (Continued)***Net Investment Hedges*

To protect the value of the Company's investments in its foreign operations against adverse changes in foreign currency exchange rates, the Company may, from time to time, hedge a portion of its net investment in one or more of its foreign subsidiaries. Gains and losses on derivative instruments that are designated and effective as a net investment hedge are included in other comprehensive income and only reclassified into earnings in the period during which the hedged net investment is sold or liquidated. Any hedge ineffectiveness is recognized in earnings immediately.

As of January 31, 2013, no foreign currency forward contracts designated as net investment hedges were outstanding. For the year ended January 31, 2013, the maximum notional amount outstanding at any point during the period was approximately \$31.8 million. No derivative instruments designated as net investment hedges were outstanding as of or for the year ending January 31, 2012.

Derivative Instruments Not Designated as Hedging Instruments

The Company uses foreign currency forward contracts to hedge the effects of fluctuations in exchange rates on outstanding intercompany loans. The Company does not formally designate and document such derivative instruments as hedging instruments; however, the instruments are an effective economic hedge of the underlying foreign currency exposure. Both the gain or loss on the derivative instrument and the offsetting gain or loss on the underlying intercompany loan are recognized in earnings immediately, thereby eliminating or reducing the impact of foreign currency exchange rate fluctuations on net income.

As of January 31, 2013, the notional amount of foreign currency forward contracts not designated as hedging instruments was approximately \$4.0 million. For the year ended January 31, 2013, the maximum notional amount outstanding at any point during the period was approximately \$21.1 million. No derivative instruments not designated as hedging instruments were outstanding as of or during the year ended January 31, 2012.

The following table sets forth the fair value of the Company's derivative instruments outstanding as of January 31, 2013. No derivative instruments were outstanding as of January 31, 2012.

	Fair Value as of:	
	January 31,	Balance Sheet
	2013	Location
	(in thousands)	
Liability Derivatives:		
Derivatives not designated as hedging instruments:		
Foreign exchange contracts	\$ 86	Accrued expenses
	82	

[Table of Contents](#)**TITAN MACHINERY INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE 9 DERIVATIVE INSTRUMENTS (Continued)**

The following table sets forth the gains and losses recognized on the Company's derivative instruments for the year ended January 31, 2013. No derivative instruments were outstanding during the years ended January 31, 2012 or 2011, respectively.

	Amount of Gain (Loss) Recognized in Other Comprehensive Income		Income	Income Statement Classification
	(in thousands)			
Derivatives Designated as Hedging Instruments:				
Net investment hedges:				
Foreign exchange contracts	\$	(509)	\$ (365)	Interest and other income
Derivatives Not Designated as Hedging Instruments:				
Foreign exchange contracts			(1,430)	Interest and other income
Total Derivatives	\$	(509)	\$ (1,795)	

NOTE 10 ACCRUED EXPENSES

	January 31, 2013	January 31, 2012
	(in thousands)	
Compensation	\$ 18,025	\$ 16,872
Sales, payroll, real estate and value added taxes	4,930	3,620
Interest	2,389	808
Health insurance claims liability	1,087	871
Deferred revenue	1,067	3,494
Other	2,092	1,070
	\$ 29,590	\$ 26,735

NOTE 11 OPERATING LEASES AND RELATED PARTY TRANSACTIONS

During the year ended January 31, 2013, the Company leased buildings from Dealer Sites, LLC ("Dealer Sites"), an entity in which a minority position was owned by an entity affiliated with David Meyer, the Company's Chairman and Chief Executive Officer, an entity affiliated with Tony Christianson, one of the Company's directors, Peter Christianson, the Company's President and Chief Operating Officer, and other Meyer and Christianson family members. As of January 31, 2013, total related party ownership in Dealer Sites was less than 10%. The Company leased buildings pursuant to 48 different operating lease agreements from Dealer Sites, LLC ("Dealer Sites") and one building pursuant to operating leases from C.I. Farm Power, Inc., a company affiliated with Peter Christianson, as of January 31, 2013. Rent expense for leases with related parties totaled \$7.0 million, \$6.3 million and \$5.3 million for the years ended January 31, 2013, 2012 and 2011, respectively. The leases expire on various dates between July 2013 and January 2028, contain purchase options based on fair values at the time of purchase, and provide that the lessee pay all property taxes, utilities, insurance and all

Table of Contents**TITAN MACHINERY INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE 11 OPERATING LEASES AND RELATED PARTY TRANSACTIONS (Continued)**

expenses necessary for the general maintenance of the respective buildings. The Company also entered into sale-leaseback agreements with Dealer Sites from which the Company received \$1.3 million and \$6.8 million for the years ended January 31, 2013 and 2012, respectively.

The Company also leases 84 additional buildings under operating lease agreements with unrelated parties and leases office equipment and vehicles under various operating lease agreements. The leases expire at various dates through January 2028. Rent and lease expense under all operating leases totaled \$17.3 million, \$13.1 million and \$9.8 million during the years ended January 31, 2013, 2012 and 2011, respectively. Certain leases have fluctuating minimum lease payments. The Company recognizes lease expense on a straight-line basis over the expected term of the lease.

Approximate minimum future lease payments are as follows:

Years ending January 31,	Amount
	(in thousands)
2014	\$ 18,996
2015	17,472
2016	15,388
2017	14,138
2018	13,486
Thereafter	91,312
	\$ 170,792

The Company utilizes C.I. Construction, an entity owned by the brother-in-law of Peter Christianson and Tony Christianson, to perform construction management services for its building and leasehold improvement projects. Payments to C.I. Construction, which include cost reimbursements of certain building supplies and other construction costs, totaled \$6.7 million, \$3.2 million and \$0.7 million for the years ended January 31, 2013, 2012 and 2011, respectively. During the year ended January 31, 2013, the Company also paid a total of \$0.2 million to Cherry Tree & Associates, LLC, an entity affiliated with Tony Christianson, primarily for services related to the Convertible Notes offering.

Table of Contents**TITAN MACHINERY INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE 12 INCOME TAXES**

Net deferred tax assets and liabilities consist of the following components as of January 31, 2013 and 2012:

	2013	2012
	(in thousands)	
Current deferred tax assets:		
Inventory allowances	\$ 5,146	\$ 3,412
Accrued liabilities and other	1,682	1,360
Stock-based compensation	630	311
Receivables	899	287
	\$ 8,357	\$ 5,370
Non-current deferred tax assets (liabilities):		
Property and equipment	\$ (36,124)	\$ (26,870)
Convertible debt	(9,391)	
Intangibles	(2,452)	(1,808)
Other, net	556	86
	\$ (47,411)	\$ (28,592)

The provision for income taxes charged to income for the years ended January 31, 2013, 2012 and 2011 consists of the following:

	2013	2012	2011
	(in thousands)		
Currently payable (receivable)			
Federal	\$ 17,588	\$ 9,342	\$ 10,676
Foreign	287	(10)	
State	4,154	4,068	2,544
Deferred	6,108	16,029	1,675
	\$ 28,137	\$ 29,429	\$ 14,895

The reconciliation of the statutory federal income tax rate to the Company's effective rate is as follows:

	2013	2012	2011
U.S. statutory rate	35.0%	35.0%	35.0%
Foreign statutory rates	(0.4)		
State taxes on income net of federal tax benefit	4.7	4.9	5.1
All other, net	0.5	0.1	(0.1)
	39.8%	40.0%	40.0%

The Company files income tax returns in the U.S. federal jurisdiction and various states and foreign countries. It is no longer subject to income tax examinations by U.S. federal tax authorities for fiscal years ended on or prior to January 31, 2009 and state tax authorities for fiscal years ended on or prior to January 31, 2008.

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TITAN MACHINERY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 13 CAPITAL STRUCTURE

The Company amended its certificate of incorporation on June 1, 2012, providing the Company with the authority to issue 50,000,000 shares of \$0.00001 par value stock, consisting of 45,000,000 shares of common stock and 5,000,000 shares classified as undesignated. Prior to June 1, 2012, the Company had the authority to issue 30,000,000 shares of \$0.00001 par value stock, consisting of 25,000,000 shares of common stock and 5,000,000 shares classified as undesignated.

NOTE 14 STOCK-BASED COMPENSATION

Stock Award Plans

The Company implemented the 2005 Equity Incentive Plan, a stock-based compensation plan (the "Plan"), during the year ended January 31, 2006. In August 2007, the Plan was amended to increase the number of shares available under the Plan from 500,000 to 1,000,000 shares. The Plan was again amended in June 2011 to increase the number of shares available under the Plan from 1,000,000 to 1,500,000. The purpose of the Plan is to provide incentive compensation to participants for services that have been or will be performed for continuing as employees or members of the Board of Directors of the Company. Under the Plan, the Company may grant incentive stock options, non-qualified stock options and restricted stock for up to 1,500,000 shares of common stock under all forms of awards. The Company accounts for stock options and restricted stock using the fair value method under ASC 718, *Compensation - Stock Compensation*. Shares issued for stock-based awards consist of authorized but unissued shares. The Company has approximately 429,000 shares authorized and available for future equity awards under the Plan as of January 31, 2013.

Compensation cost charged to operations under the Plan was \$1.6 million, \$1.4 million and \$1.2 million for the years ended January 31, 2013, 2012 and 2011, respectively. The related income tax benefit (net) was \$0.5 million, \$0.4 million and \$0.3 million for the years ended January 31, 2013, 2012 and 2011, respectively.

Stock Options

The Company granted stock options as part of its long-term incentive compensation to employees and members of the Board of Directors of the Company. The fair value of each stock option granted was estimated using the Black-Scholes option pricing model. Stock options vest over a period of four to six years for employees and immediately for members of the Board of Directors, and have contractual terms of five to ten years. The Company recognizes the fair value of stock options as compensation expense ratably over the vesting period of the award.

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TITAN MACHINERY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 14 STOCK-BASED COMPENSATION (Continued)

The following table summarizes stock option activity for the year ended January 31, 2013:

	Number of Options (in thousands)	Weighted Average Exercise Price	Aggregate Intrinsic Value (in thousands)	Weighted Average Remaining Contractual Life (Years)
Outstanding at January 31, 2012	445	\$ 11.72	\$ 5,817	5.8
Granted				
Exercised	(57)	11.83		
Forfeited	(2)	22.21		
Outstanding at January 31, 2013	386	\$ 11.64	\$ 6,665	4.8
Exercisable at January 31, 2013	306	\$ 10.46	\$ 5,638	4.7

The aggregate intrinsic value of stock options exercised was \$1.1 million, \$2.4 million and \$0.2 million for the years ended January 31, 2013, 2012 and 2011, respectively. As of January 31, 2013 there was \$0.4 million of unrecognized compensation cost on non-vested stock options that is expected to be recognized over a weighted-average period of 1.3 years.

The following is a summary of information related to options outstanding and exercisable at January 31, 2013:

Range of Exercise Prices	Options Outstanding			Options Exercisable		
	Number (in thousands)	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number (in thousands)	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price
\$ 4.00 - 4.50	58	3.3	\$ 4.46	58	3.3	\$ 4.46
7.50 - 10.20	205	4.8	8.35	178	4.8	8.35
11.15 - 14.69	24	5.8	12.01	12	5.8	12.18
21.21 - 26.84	99	5.5	22.47	58	5.5	22.63
	386	4.8	\$ 11.64	306	4.7	\$ 10.46

Restricted Stock

The Company grants restricted stock awards in addition to stock options as part of its long-term incentive compensation to employees and members of the Board of Directors of the Company. The fair value of the restricted stock is determined based on the closing market price of the Company's stock on the date of grant. The restricted stock primarily vests over a period of three to six years for employees and over one year for members of the Board of Directors. The Company recognizes compensation expense ratably over the vesting period of the restricted stock.

[Table of Contents](#)**TITAN MACHINERY INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE 14 STOCK-BASED COMPENSATION (Continued)**

The following table summarizes restricted stock activity for the year ended January 31, 2013:

	Shares (in thousands)	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term
Nonvested at January 31, 2012	206	\$ 18.10	2.7
Granted	100	26.83	
Forfeited	(5)	18.05	
Vested	(46)	15.06	
Nonvested at January 31, 2013	255	\$ 22.09	3.0

The weighted-average grant date fair value of restricted stock granted was \$26.83, \$24.45 and \$14.94 during the years ended January 31, 2013, 2012 and 2011, respectively. The total fair value of restricted stock vested was \$1.3 million, \$1.0 million and \$1.2 million during the years ended January 31, 2013, 2012 and 2011, respectively. As of January 31, 2013, there was \$3.9 million of unrecognized compensation cost on non-vested restricted stock that is expected to be recognized over a weighted-average period of 3.0 years.

NOTE 15 EMPLOYEE BENEFIT PLANS

The Company has a 401(k) profit-sharing plan for full-time employees at least 19 years of age. The Company makes matching contributions of 50% of qualifying employee elective contributions to the plan. The Company's matching contributions to the plan of \$3.6 million, \$3.0 million and \$2.4 million were charged to expense for the years ended January 31, 2013, 2012 and 2011, respectively. In addition, the Company may make a discretionary contribution to the plan as determined by the Board of Directors, with a maximum amount equal to the amount allowed under the IRS regulations. The Company did not make any discretionary contributions to the plan for the years ended January 31, 2013, 2012 and 2011.

NOTE 16 BUSINESS COMBINATIONS

The Company continued to implement its strategy of consolidating dealerships in desired market areas. Below is a summary of the acquisitions completed for the years ended January 31, 2013, 2012 and 2011. In certain of the business combination transactions the Company recognized goodwill. Factors contributing to the recognition of goodwill include an evaluation of future and historical financial performance, the value of the workforce acquired and proximity to other existing and future planned Company locations. Pro forma results are not presented as the acquisitions are not considered material, individually or in aggregate, to the Company. The results of operations have been included in the Company's consolidated results of operations since the date of each respective business combination.

Fiscal 2013

On February 27, 2012, the Company acquired certain assets of the Colorado division of Adobe Truck & Equipment, LLC. The acquired entity consisted of three construction equipment stores in

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TITAN MACHINERY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 16 BUSINESS COMBINATIONS (Continued)

Denver, Colorado Springs, and Loveland, Colorado. The acquisition establishes the Company's first construction equipment stores in Colorado and allows the Company to have the exclusive Case Construction contract for all of Colorado east of the Rocky Mountains. The acquisition-date fair value of the total consideration transferred for the stores was \$3.4 million.

On March 5, 2012, the Company acquired, through its subsidiary, Titan Machinery Bulgaria AD, certain assets of Rimex 1-Holding EAD. The acquired entity consisted of seven agricultural equipment stores in the following cities in Bulgaria: Sofia, Dobrich, Burgas, Pleven, Ruse, Montana, and Stara Zagora. The acquisition expands the Company's operations in Europe and provides a significant opportunity to leverage its domestic operating model and dealership experience into an additional growth platform. The acquisition-date fair value of the total consideration transferred for the stores was \$2.6 million. Subsequent to the acquisition, Titan Machinery Bulgaria AD issued a 30% ownership interest to the former owner of the acquired entity for \$2.5 million. The 30% ownership interest is included in the consolidated financial statements as a noncontrolling interest.

On March 30, 2012, the Company acquired certain assets of Haberer's Implement, Inc. The acquired entity consisted of one agricultural equipment store in Bowdle, South Dakota which is contiguous to the Company's existing locations in Aberdeen, Redfield and Highmore, South Dakota and Wishek, North Dakota. The acquisition-date fair value of the total consideration transferred for the store was \$1.2 million.

On April 2, 2012, the Company acquired certain assets of East Helena Rental, LLC. The acquired entity consisted of one construction equipment rental store in Helena, Montana which is contiguous to the Company's existing locations in Missoula, Great Falls, Bozeman and Big Sky, Montana. The acquisition-date fair value of the total consideration transferred for the store was \$0.6 million.

On July 2, 2012, the Company acquired certain assets of Curly Olney's, Inc. The acquired entity consisted of two agricultural equipment stores in McCook and Imperial, Nebraska and expands the Company's agriculture presence in Nebraska. The acquisition-date fair value of the total consideration transferred for the stores was \$5.5 million.

On November 1, 2012, the Company acquired certain assets of Toner's, Inc. The acquired entity consisted of three agricultural equipment stores in Grand Island, Broken Bow and Ord, Nebraska which are contiguous to the Company's existing locations in Kearney, Lexington, North Platte and Hastings, Nebraska. The acquisition-date fair value of the total consideration transferred for the stores was \$13.9 million. As of January 31, 2013, the final valuation of the intangible assets acquired was not complete. The amounts recorded are provisional estimates based on the best information available; however, these provisional estimates of fair value are subject to change based on the final valuation.

On November 1, 2012, the Company acquired certain assets of Falcon Power Inc. The acquired entity consisted of two construction equipment stores in Phoenix and Flagstaff, Arizona and expands the Company's presence into Arizona. The acquisition-date fair value of the total consideration transferred for the stores was \$1.4 million.

On December 12, 2012, the Company acquired, through its subsidiary, Titan Machinery D.o.o., certain assets of VAIT D.o.o. The acquired entity consisted of one agricultural equipment store in the Vojvodina region of Serbia which is contiguous to the Company's existing locations in Romania and Bulgaria, and expands the Company's Eastern European operations into Serbia. The acquisition-date fair value of the total consideration transferred for the store was \$2.3 million.

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TITAN MACHINERY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 16 BUSINESS COMBINATIONS (Continued)

Fiscal 2012

Tri-State Implement, Inc.

On February 28, 2011, the Company acquired certain assets of Tri-State Implement, Inc. The acquisition consisted of one agricultural equipment store located in Sioux Falls, South Dakota which is contiguous to the Company's existing construction equipment location in Sioux Falls. The acquisition-date fair value of the total consideration transferred for the store was \$1.0 million.

Schoffman's Inc.

On March 31, 2011, the Company acquired 100% of the outstanding stock of Schoffman's Inc., which included the real estate of this entity, and subsequently merged the acquired entity into the Company. The acquisition consisted of one agricultural equipment store in Redwood Falls, Minnesota which is contiguous to the Company's existing location in Marshall, Minnesota. The acquisition-date fair value of the total consideration transferred for the store was \$5.8 million.

ABC Rental & Equipment Sales

On April 1, 2011, the Company acquired certain assets of ABC Rental & Equipment Sales. The acquisition consisted of four construction equipment rental stores located in Williston, North Dakota, and Bozeman, Missoula, and Big Sky, Montana. This acquisition expands the Company's opportunity to capitalize on increased rental activity of the surrounding oil, coal and natural gas exploration and extraction areas in North Dakota and Montana. The acquisition-date fair value of the total consideration transferred for the stores was \$5.4 million.

Carlson Tractor & Equipment, Inc.

On May 13, 2011, the Company acquired certain assets of Carlson Tractor & Equipment, Inc. The acquisition consisted of two construction equipment stores in Rogers and Rosemount, Minnesota and expands the Company's construction presence in Minnesota. The acquisition-date fair value of the total consideration transferred for the stores was \$2.9 million.

St. Joseph Equipment Inc.

On May 31, 2011, the Company acquired certain assets of St. Joseph Equipment Inc. The acquisition consisted of four construction equipment stores in Shakopee, Hermantown and Elk River, Minnesota, and La Crosse, Wisconsin. The acquisition establishes the Company's first construction equipment store in Wisconsin and allows the Company to have the exclusive Case Construction contract for the entire state of Minnesota and 11 counties in western Wisconsin. The acquisition-date fair value of the total consideration transferred for the stores was \$17.0 million.

Virgl Implement Inc.

On September 2, 2011, the Company acquired certain assets of Virgl Implement Inc. The acquisition consisted of one agricultural equipment store in Wahoo, Nebraska. The acquisition expands the Company's agriculture presence in Nebraska. The acquisition-date fair value of the total consideration transferred for the store was approximately \$5.7 million.

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TITAN MACHINERY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 16 BUSINESS COMBINATIONS (Continued)

Victors Inc.

On September 2, 2011, the Company acquired certain assets of Victors Inc. The acquisition consisted of one agricultural equipment store in Fremont, Nebraska. The acquisition expands the Company's agriculture presence in Nebraska. The acquisition-date fair value of the total consideration transferred for the store was approximately \$7.5 million.

Van Der Werff Implement, Inc.

On November 1, 2011, the Company acquired certain assets of Van Der Werff Implement, Inc. The acquisition consisted of one agriculture equipment store in Platte, South Dakota. The store is contiguous to the Company's existing locations in Sioux Falls, Huron, Miller, Highmore and Pierre, South Dakota. The acquisition-date fair value of the total consideration transferred for the store was approximately \$4.3 million.

Jewell Implement Company, Inc.

On December 1, 2011, the Company acquired certain assets of Jewell Implement Company, Inc. The acquisition consisted of one agriculture equipment store in Jewell, Iowa. The store is contiguous to the Company's existing location in Iowa Falls, Iowa. The acquisition-date fair value of the total consideration transferred for the store was approximately \$1.5 million.

AgroExpert Capital S.R.L.

On December 23, 2011, the Company, through a newly formed subsidiary, Titan Machinery Romania, S.R.L., acquired certain assets and assumed certain liabilities of AgroExpert Capital S.R.L. The acquisition consisted of two agriculture equipment stores in Bucharest and Timisoara, Romania. The acquisition expands the Company's operations into Europe and provides a significant opportunity to leverage its domestic operating model and dealership experience into an additional growth platform. The acquisition-date fair value of the total consideration transferred was \$2.8 million. Subsequent to the acquisition, Titan Machinery Romania, S.R.L. issued a 30% ownership interest to two management members of this entity for a combined \$0.8 million. This transfer of ownership resulted in a \$0.2 million decrease to Titan Machinery, Inc.'s stockholders' equity. The 30% ownership interest in Titan Machinery Romania, S.R.L. is included in the consolidated financial statements as a non-controlling interest.

Fiscal 2011

Hubbard Implement, Inc.

On June 1, 2010, the Company acquired certain assets of Hubbard Implement, Inc. The acquired entity consisted of one agricultural equipment store located in Iowa Falls, Iowa which is contiguous to the Company's existing locations in Grundy Center and Waverly, Iowa. The acquisition-date fair value of the total consideration transferred for the store was \$1.5 million.

Fairbanks International, Inc.

On December 31, 2010, the Company acquired certain assets of Fairbanks International, Inc. ("Fairbanks"), Fairbanks's wholly-owned subsidiary, Fairbanks Leasing, Inc., and an affiliated entity of

Table of Contents**TITAN MACHINERY INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE 16 BUSINESS COMBINATIONS (Continued)**

Fairbanks, GuideNet Systems, LLC. The acquisition consists of six agricultural equipment stores in Grand Island, Kearney, Lexington, Holdrege, Hastings, and North Platte, Nebraska and expands the Company's agricultural presence in the Midwest. The acquisition-date fair value of the total consideration transferred for the stores was \$29.7 million.

The allocations of the purchase prices in the above business combinations are presented in the following table:

	January 31, 2013	January 31, 2012	January 31, 2011
	(in thousands)		
Cash	\$ 3	\$ 99	\$ 4
Receivables	2,804	5,362	2,812
Inventories	29,120	49,818	21,241
Prepaid expenses and other	352	694	
Deferred income taxes		13	
Property and equipment	4,831	11,238	5,512
Intangible assets	4,299	6,653	4,387
Goodwill	6,209	6,033	3,629
	\$ 47,618	\$ 79,910	\$ 37,585
Accounts payable	\$ 3,119	\$ 1,120	\$
Floorplan notes payable	7,572	17,389	2,737
Customer deposits	1,586	1,143	1,868
Accrued expenses	21	37	207
Income taxes payable		390	
Long-term debt		585	
Deferred income taxes		1,440	
	\$ 12,298	\$ 22,104	\$ 4,812
Cash consideration	31,880	48,547	32,316
Non-cash consideration: liabilities incurred	3,440	9,259	457
Total consideration	\$ 35,320	\$ 57,806	\$ 32,773
Goodwill related to the Agriculture operating segment	\$ 4,709	\$ 4,327	\$ 3,629
Goodwill related to the Construction operating segment	\$ 1,500	\$ 1,706	\$
Goodwill expected to be deductible for tax purposes	\$ 6,107	\$ 4,730	\$ 3,629

NOTE 17 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is generally defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced liquidation sale. Quoted market prices are generally not available for the Company's financial instruments. Accordingly, fair values are based on judgments regarding anticipated cash flows, future expected loss

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TITAN MACHINERY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 17 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

experience, current economic conditions, risk characteristics of various financial instruments and other factors. These estimates involve uncertainties and matters of judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates. As explained in Note 1, actual results could differ from the estimates.

The carrying amount of cash, receivables, payables, short-term debt and other current liabilities approximates fair value because of the short maturity and/or frequent repricing of those instruments, which are Level 3 fair value inputs. The carrying amount of derivative instruments is equal to the fair value. Based upon current borrowing rates with similar maturities, which are Level 3 fair value inputs, the carrying value of long-term debt approximates the fair value as of January 31, 2013 and 2012. As of January 31, 2013, the fair value of senior convertible notes was approximately \$152.8 million. The face value of these notes is \$150.0 million and the carrying value as of January 31, 2013 was approximately \$125.7 million. The difference between the face value and the carrying value of these notes is the result of the allocation between the debt and equity components (see Note 7). Fair value of the senior convertible notes was estimated based on Level 2 fair value inputs.

NOTE 18 SEGMENT INFORMATION AND OPERATING RESULTS

The Company owns and operates a network of full service agricultural and construction equipment stores in the United States and Europe. The Company's two reportable segments, Agriculture and Construction, each offer different products. Management of the Company's operations are organized by segment and the operating results for each segment are reported separately to the Company's senior management to make decisions regarding the allocation of resources, to assess the Company's operating performance and to make strategic decisions.

The Company's Agriculture segment sells, services, and rents machinery, and related parts and attachments, for uses ranging from large-scale farming to home and garden use. This segment also includes ancillary sales and services related to agricultural activities and products such as equipment transportation, Global Positioning System ("GPS") signal subscriptions, hardware merchandise and finance and insurance products.

The Company's Construction segment sells, services, and rents machinery, and related parts and attachments, for uses ranging from heavy construction to light industrial machinery use. This segment also includes ancillary sales and services related to construction activities such as equipment transportation, GPS signal subscriptions and finance and insurance products.

Revenue generated from sales to customers outside of the United States was \$72.5 million, \$5.9 million and \$2.5 million for the years ended January 31, 2013, 2012 and 2011, respectively. As of January 31, 2013 and 2012, \$5.4 million and \$2.1 million of the Company's long-lived assets were held in its European subsidiaries, respectively.

Revenues, income before income tax and total assets at the segment level are reported before eliminations. The Company retains various unallocated income/(expense) items and assets at the general corporate level, which the Company refers to as "Shared Resources" in the table below. Shared Resource assets primarily consist of cash and property and equipment. Intersegment revenues are immaterial. For information regarding goodwill by segment, see Note 5.

Table of Contents**TITAN MACHINERY INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****NOTE 18 SEGMENT INFORMATION AND OPERATING RESULTS (Continued)**

Certain financial information for each of the Company's business segments is set forth below.

	January 31, 2013	January 31, 2012	January 31, 2011
	(in thousands)		
Revenues			
Agriculture	\$ 1,899,534	\$ 1,441,294	\$ 979,016
Construction	380,295	279,152	152,646
Segment revenues	2,279,829	1,720,446	1,131,662
Eliminations	(81,409)	(61,454)	(37,173)
Total	\$ 2,198,420	\$ 1,658,992	\$ 1,094,489
Income (Loss) Before Income Taxes			
Agriculture	\$ 83,797	\$ 74,411	\$ 44,083
Construction	(4,708)	5,461	(3,451)
Segment income (loss) before income taxes	79,089	79,872	40,632
Shared Resources	(6,902)	(5,993)	(3,133)
Eliminations	(1,491)	(305)	(262)
Income before income taxes	\$ 70,696	\$ 73,574	\$ 37,237

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TITAN MACHINERY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 18 SEGMENT INFORMATION AND OPERATING RESULTS (Continued)

	January 31, 2013	January 31, 2012	January 31, 2011
	(in thousands)		
Interest Income			
Agriculture	\$ 181	\$ 117	\$ 111
Construction	510	299	129
Segment interest income	691	416	240
Shared Resources	13		119
Total	\$ 704	\$ 416	\$ 359
Interest Expense			
Agriculture	\$ 14,281	\$ 10,606	\$ 8,140
Construction	8,634	3,267	3,188
Segment interest expense	22,915	13,873	11,328
Shared Resources	(153)	(4,203)	(2,744)
Total	\$ 22,762	\$ 9,670	\$ 8,584
Depreciation and Amortization			
Agriculture	\$ 7,396	\$ 5,497	\$ 4,034
Construction	13,546	7,568	3,855
Segment depreciation and amortization	20,942	13,065	7,889
Shared Resources	2,522	2,198	1,080
Total	\$ 23,464	\$ 15,263	\$ 8,969
Capital Expenditures			
Agriculture	\$ 8,540	\$ 6,145	\$ 3,395
Construction	16,175	9,447	4,221
Segment capital expenditures	24,715	15,592	7,616
Shared Resources	15,117	5,830	9,116
Total	\$ 39,832	\$ 21,422	\$ 16,732
Total Assets			
Agriculture	\$ 900,514	\$ 781,098	\$ 514,049
Construction	346,554	250,474	98,535
Segment assets	1,247,068	1,031,572	612,584
Shared Resources	199,849	57,882	37,340
Eliminations	(2,843)	(1,382)	(1,078)

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Total	\$	1,444,074	\$	1,088,072	\$	648,846
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The following reflects selected quarterly financial information for fiscal years 2013 and 2012.

	Revenue	Gross Profit	Net Income Attributable to Titan Machinery Inc. (in thousands, except per share data)	Earnings per Share Basic	Earnings per Share Diluted
2013					
First quarter	\$ 421,723	\$ 70,409	\$ 7,597	\$ 0.36	\$ 0.36
Second quarter	410,071	70,364	5,209	0.25	0.25
Third quarter	582,112	94,059	14,061	0.67	0.66
Fourth quarter	784,514	104,529	15,606	0.74	0.73
2012					
First quarter	\$ 318,165	\$ 52,803	\$ 7,268	\$ 0.41	\$ 0.40
Second quarter	310,849	55,851	6,291	0.31	0.30
Third quarter	422,960	73,997	12,800	0.62	0.61
Fourth quarter	607,018	92,810	17,801	0.86	0.84

NOTE 20 SUBSEQUENT EVENTS

On February 16, 2013, the Company acquired certain assets of Tucson Tractor Company. The acquired entity consisted of one construction equipment store in Tucson, Arizona which is contiguous to the Company's existing locations in Phoenix and Flagstaff, Arizona and expands the Company's construction presence in Arizona. The acquisition-date fair value of the total consideration transferred for the store was \$4.1 million.

On March 1, 2013, the Company acquired certain assets of Adobe CE, LLC. The acquired entity consisted of one construction equipment store Albuquerque, New Mexico and expands the Company's presence into New Mexico. The acquisition-date fair value of the total consideration transferred for the store was \$1.2 million.

Table of Contents**Schedule II Valuation and Qualifying Accounts and Reserves****Titan Machinery Inc.**

Classification	Beginning Balance	Additions Charged to Expenses	Deductions for Write-offs, Net of Recoveries	Ending Balance
	(in thousands)			
Valuation reserve deduction from receivables:				
Year ended January 31, 2013	\$ 720	\$ 3,218	\$ (1,601)	\$ 2,337
Year ended January 31, 2012	429	1,245	(954)	720
Year ended January 31, 2011	333	805	(709)	429

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures. After evaluating the effectiveness of the Company's disclosure controls and procedures pursuant to Rule 13a-15(b) of the Securities Exchange Act of 1934 ("Exchange Act") as of the end of the period covered by this annual report, our Chief Executive Officer and Chief Financial Officer, with the participation of the Company's management, have concluded that the Company's disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) are effective.

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 Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this evaluation, management has concluded that our internal control over financial reporting was effective as of January 31, 2013.

Eide Bailly LLP, the independent registered public accounting firm that audited the consolidated financial statements included in this Annual Report on Form 10-K, has also audited our internal control over financial reporting as of January 31, 2013, as stated in their attestation report included in Part II, Item 8 of this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting. There has not been any change in the Company's internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)) during its most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

On March 6, 2013, the Company entered into amended and restated employment agreements with its Chief Executive Officer, David J. Meyer, and President and Chief Operating Officer, Peter J. Christianson (each, an "Officer"), which amended and restated employment agreements replaced in their entirety the prior amended and restated employment agreements entered into with the Officers on October 1, 2010. Under the terms of each agreement, each Officer will receive a base salary of \$500,000 per year, which may be adjusted upward, but not downward, from time to time at the discretion of the Company's compensation committee. Each Officer also receives an incentive bonus award opportunity of 0% to 200% of base salary, pursuant to terms and conditions established by the compensation committee and based upon a target of 100% of base salary. Each Officer is also entitled to receive a restricted stock award each fiscal year, the share amount of which is determined by dividing the Officer's base salary by the closing price of the Company's stock on the date of grant. The risks of forfeiture on such restricted stock awards will be determined by the Company's compensation committee from time to time. Each Officer is also eligible to participate in the Company's employee benefit plans. The term of each Officer's employment agreement is February 1, 2013 to January 31, 2016, which end date is automatically extended by one year on each anniversary of the effective date, February 1, 2013.

The amended and restated employment agreements with the Officers each contain a restrictive covenant prohibiting them from owning, operating or being employed by competing agricultural or

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construction equipment stores during their employment with us and for 24 months following termination of their employment with us. Each agreement is terminable by either us or the Officer at any time upon 60 days written notice for any reason, or immediately by us for cause. If the Officer is terminated by us without cause prior to the expiration of the term or if the Officer resigns for good reason, we are obligated to pay severance in an amount equal to two times the sum of the annual base salary then in effect, plus the annual incentive bonus last paid prior to the termination. These severance payments would be made in 24 equal monthly installments. If such termination occurs we would also be required to allow the Officer to continue to participate in our group medical and dental plans at our expense for a period of 24 months. In order to receive the severance and continued benefits, each Officer would be required to sign a release of claims against us, fulfill his non-competition obligations, cooperate with transitioning his duties and execute a non-disparagement agreement with us.

The amended and restated employment agreements for Mr. Meyer and Mr. Christianson are attached as exhibits 10.2 and 10.3, respectively, to this Annual Report.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Other than the information included in Part I of this Form 10-K under the heading "Executive Officers of the Registrant," the information required by Item 10 is incorporated by reference to the sections labeled "Election of Directors," "Corporate Governance" and "Section 16(a) Beneficial Ownership Reporting Compliance," all of which will appear in our definitive proxy statement for our 2013 Annual Meeting.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 is incorporated herein by reference to the sections entitled "Executive Compensation," "Non-Employee Director Compensation," "Compensation Committee," "Compensation Committee Interlocks and Insider Participation" and "Compensation Committee Report," all of which will appear in our definitive proxy statement for our 2013 Annual Meeting.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by Item 12 is incorporated herein by reference to the sections entitled "Principal Stockholders and Management Stockholdings" and "Equity Compensation Plan Information," both of which will appear in our definitive proxy statement for our 2013 Annual Meeting.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by Item 13 is incorporated herein by reference to the sections entitled "Corporate Governance Independence" and "Certain Relationships and Related Party Transactions," both of which will appear in our definitive proxy statement for our 2013 Annual Meeting.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by Item 14 is incorporated herein by reference to the section entitled "Fees of the Independent Registered Public Accounting Firm," which will appear in our definitive proxy statement for our 2013 Annual Meeting.

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PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a)

Documents filed as part of this report.

(1)

Financial Statements. The following financial statements are included in Part II, Item 8 of this Annual Report on Form 10-K:

Report of Eide Bailly LLP on Consolidated Financial Statements and Financial Statement Schedule as of January 31, 2013 and 2012 and for each of the three years in the period ended January 31, 2013

Report of Eide Bailly LLP on Internal Control Over Financial Reporting as of January 31, 2013

Consolidated Balance Sheets as of January 31, 2013 and 2012

Consolidated Statements of Operations for each of the three years in the period ended January 31, 2013

Consolidated Statements of Comprehensive Income for each of the three years in the period ended January 31, 2013

Consolidated Statements of Stockholders' Equity for each of the three years in the period ended January 31, 2013

Consolidated Statements of Cash Flows for each of the three years in the period ended January 31, 2013

Notes to Consolidated Financial Statements

(2)

Financial Statement Schedules. The following consolidated financial statement schedule is included in Item 8:

Schedule II Valuation and Qualifying Accounts and Reserves

All other financial statement schedules have been omitted, because they are not applicable, are not required, or the information is included in the Financial Statements or Notes thereto

(3)

Exhibits. See the Exhibit Index to our Form 10-K immediately following the signature page to this Annual Report on Form 10-K

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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.

Dated: April 10, 2013

TITAN MACHINERY INC.

By /s/ DAVID J. MEYER

David J. Meyer,
Chairman and Chief Executive Officer

By /s/ MARK P. KALVODA

Mark P. Kalvoda,
Chief Financial Officer

POWER OF ATTORNEY

Each person whose signature appears below constitutes DAVID J. MEYER and MARK P. KALVODA his true and lawful attorneys-in-fact and agents, each acting alone, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any or all amendments to this Annual Report on Form 10-K and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, each acting alone, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all said attorneys-in-fact and agents, each acting alone, or his substitute or substitutes, may lawfully do or cause to be done by virtue thereof.

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.

Signatures	Title	Date
<u>/s/ DAVID J. MEYER</u> David J. Meyer	Chairman and Chief Executive Officer (principal executive officer)	April 10, 2013
<u>/s/ PETER J. CHRISTIANSON</u> Peter J. Christianson	President and Chief Operating Officer, Director	April 10, 2013
<u>/s/ MARK P. KALVODA</u> Mark P. Kalvoda	Chief Financial Officer (principal financial officer and principal accounting officer)	April 10, 2013
<u>/s/ TONY CHRISTIANSON</u> Tony Christianson	Director	April 10, 2013

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Signatures	Title	Date
_____ James Williams	Director	April 10, 2013
_____ /s/ JAMES IRWIN	Director	April 10, 2013
_____ James Irwin	Director	April 10, 2013
_____ /s/ JOHN BODE	Director	April 10, 2013
_____ John Bode	Director	April 10, 2013
_____ /s/ THEODORE WRIGHT	Director	April 10, 2013
_____ Theodore Wright	Director	April 10, 2013
_____ /s/ STANLEY DARDIS	Director	April 10, 2013
_____ Stanley Dardis		

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**EXHIBIT INDEX
TITAN MACHINERY INC.
FORM 10-K**

No.	Description
3.1	Certificate of Incorporation of the registrant, as amended (incorporated herein by reference to Exhibit 3.1 of the registrant's Quarterly Report on Form 10-Q filed with the Commission on September 10, 2012).
3.2	Bylaws of the registrant, as amended (incorporated herein by reference to Exhibit 3.2 of the registrant's Annual Report on Form 10-K filed with the Commission on April 16, 2009).
4.1	Specimen Certificate representing shares of common stock of Titan Machinery Inc. (incorporated by reference to Exhibit 4.1 of the registrant's Amendment No. 6 to Registration Statement on Form S-1, Reg. No. 333-145526, filed with the Commission on December 5, 2007).
4.2	Common Stock Purchase Warrant, dated April 7, 2003, in favor of Cherry Tree Securities, LLC (incorporated by reference to Exhibit 4.2 of the registrant's Amendment No. 5 to Registration Statement on Form S-1, Reg. No. 333-145526, filed with the Commission on November 27, 2007).
4.3	Common Stock Purchase Warrant, dated August 1, 2004, in favor of Cherry Tree Securities, LLC (incorporated by reference to Exhibit 4.3 of the registrant's Amendment No. 5 to Registration Statement on Form S-1, Reg. No. 333-145526, filed with the Commission on November 27, 2007).
4.4	Form of Director Warrant (incorporated by reference to Exhibit 4.6 of the registrant's Amendment No. 6 to Registration Statement on Form S-1, Reg. No. 333-145526, filed with the Commission on December 3, 2007).
4.5	Indenture, dated as of April 24, 2012, by and between the registrant and Wells Fargo Bank, National Association, as Trustee (incorporated by reference to Exhibit 4.1 of the registrant's Current Report on Form 8-K filed with the Commission on April 24, 2012).
10.1	2005 Equity Incentive Plan** (incorporated herein by reference to Exhibit 10.1 of the registrant's Amendment No. 2 to Registration Statement on Form S-1, Reg. No. 333-145526, filed with the Commission on October 10, 2007).
10.2*	Amended and Restated Employment Agreement, dated March 6, 2013, between David Meyer and the registrant**
10.3*	Amended and Restated Employment Agreement, dated March 6, 2013, between Peter Christianson and the registrant**
10.4	[Reserved]
10.5	Agricultural Equipment Sales & Service Agreement, dated December 31, 2002, between Case, LLC and the registrant (incorporated herein by reference to Exhibit 10.5 of the registrant's Amendment No. 2 to Registration Statement on Form S-1, Reg. No. 333-145526, filed with the Commission on October 10, 2007).
10.6	Construction Equipment Sales & Service Agreement, dated effective April 8, 2003, between Case, LLC and the registrant (incorporated herein by reference to Exhibit 10.6 of the registrant's Amendment No. 2 to Registration Statement on Form S-1, Reg. No. 333-145526, filed with the Commission on October 10, 2007).

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No.	Description
10.7	Dealer Agreement, dated April 14, 2003, between New Holland North America, Inc. and the registrant, as amended December 27, 2005 and December 9, 2006 (incorporated herein by reference to the Exhibit 10.7 of the registrant's Amendment No. 2 to Registration Statement on Form S-1, Reg. No. 333-145526, filed with the Commission on October 10, 2007).
10.8	Construction Equipment Sales & Service Agreement, dated effective June 15, 2006, between CNH America, LLC and the registrant (incorporated herein by reference to Exhibit 10.8 of the registrant's Amendment No. 2 to Registration Statement on Form S-1, Reg. No. 333-145526, filed with the Commission on October 10, 2007).
10.9	Dealer Agreement, effective February 20, 2007, between CNH America LLC and the registrant (incorporated herein by reference to Exhibit 10.9 of the registrant's Amendment No. 2 to Registration Statement on Form S-1, Reg. No. 333-145526, filed with the Commission on October 10, 2007).
10.10	Dealer Agreement, dated effective June 22, 2006, between CNH America LLC and the registrant (incorporated herein by reference to Exhibit 10.10 of the registrant's Amendment No. 2 to Registration Statement on Form S-1, Reg. No. 333-145526, filed with the Commission on October 10, 2007).
10.11	Dealer Agreements, dated effective April 1, 2006, between CNH America and the registrant (incorporated herein by reference to Exhibit 10.11 of the registrant's Amendment No. 2 to Registration Statement on Form S-1, Reg. No. 333-145526, filed with the Commission on October 10, 2007).
10.12	Dealer Agreement, dated April 1, 2005, between CNH America LLC and the registrant (incorporated herein by reference to Exhibit 10.12 of the registrant's Amendment No. 2 to Registration Statement on Form S-1, Reg. No. 333-145526, filed with the Commission on October 10, 2007).
10.13	Dealer Agreement, dated effective January 1, 2000 between New Holland North America, Inc. and the registrant (incorporated herein by reference to Exhibit 10.13 of the registrant's Amendment No. 2 to Registration Statement on Form S-1, Reg. No. 333-145526, filed with the Commission on October 10, 2007).
10.14	Dealer Security Agreements between New Holland North America, Inc. and the registrant (incorporated herein by reference to Exhibit 10.14 of the registrant's Amendment No. 2 to Registration Statement on Form S-1, Reg. No. 333-145526, filed with the Commission on October 10, 2007).
10.15	Dealer Security Agreements between CNH America LLC and the registrant (incorporated herein by reference to Exhibit 10.15 of the registrant's Amendment No. 2 to Registration Statement on Form S-1, Reg. No. 333-145526, filed with the Commission on October 10, 2007).
10.16	Lease by and between Rocking Horse Farm, LLC and the registrant, dated August 2, 2004, and Addendum No. 1 thereto dated September 13, 2005 (incorporated herein by reference to Exhibit 10.16 of the registrant's Amendment No. 2 to Registration Statement on Form S-1, Reg. No. 333-145526, filed with the Commission on October 10, 2007).
10.17	Wholesale Floor Plan Credit Facility and Security Agreement, dated as of February 21, 2006, between CNH Capital America LLC and the registrant (incorporated herein by reference to Exhibit 10.17 of the registrant's Amendment No. 2 to Registration Statement on Form S-1, Reg. No. 333-145526, filed with the Commission on October 10, 2007).

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No.	Description
10.18	Amended and Restated 2005 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.1 of the registrant's Current Report on Form 8-K filed with the Commission on June 6, 2011).
10.19	Letter Agreement with CNH Capital America, LLC dated February 19, 2010 (incorporated herein by reference to Exhibit 10.43 of the registrant's Annual Report on Form 10-K filed with the Commission on April 15, 2010).
10.20	Shareholder Rights Agreement, dated April 7, 2003, by and between the registrant and the individuals listed on Schedule A (incorporated herein by reference to Exhibit 10.20 of the registrant's Amendment No. 2 to Registration Statement on Form S-1, Reg. No. 333-145526, filed with the Commission on October 10, 2007).
10.21	Amendment No. 1 to Shareholder Rights Agreement, dated January 31, 2006, by and between the registrant and the individuals listed on Schedule A (incorporated herein by reference to Exhibit 10.21 of the registrant's Amendment No. 2 to Registration Statement on Form S-1, Reg. No. 333-145526, filed with the Commission on October 10, 2007).
10.22	Form of Incentive Stock Option Agreement under the 2005 Equity Incentive Plan** (incorporated herein by reference to Exhibit 10.22 of the registrant's Amendment No. 2 to Registration Statement on Form S-1, Reg. No. 333-145526, filed with the Commission on October 10, 2007).
10.23	Form of Non-Qualified Stock Option Agreement under the 2005 Equity Incentive Plan** (incorporated herein by reference to Exhibit 10.23 of the registrant's Amendment No. 2 to Registration Statement on Form S-1, Reg. No. 333-145526, filed with the Commission on October 10, 2007).
10.24	Form of Restricted Stock Agreement under the 2005 Equity Incentive Plan** (incorporated herein by reference to Exhibit 10.24 of the registrant's Amendment No. 2 to Registration Statement on Form S-1, Reg. No. 333-145526, filed with the Commission on October 10, 2007).
10.25	Amended and Restated Wholesale Floorplan Credit Facility and Security Agreement, dated November 13, 2007, between CNH Capital America LLC and the registrant (incorporated herein by reference to Exhibit 10.25 of the registrant's Amendment No. 5 to Registration Statement on Form S-1, Reg. No. 333-145526, filed with the Commission on November 27, 2007).
10.26	Consent and Agreement, dated November 13, 2007, between CNH Capital America LLC and the registrant (incorporated herein by reference to Exhibit 10.26 of the registrant's Amendment No. 5 to Registration Statement on Form S-1, Reg. No. 333-145526, filed with the Commission on November 27, 2007).
10.27	Amendment to Case IH Agricultural Equipment Sales and Service Agreement, dated November 14, 2007, between CNH America LLC and Red Power International, Inc. (incorporated herein by reference to Exhibit 10.27 in the registrant's Amendment No. 5 to Registration Statement on Form S-1, Reg. No. 333-145526, filed with the Commission on November 27, 2007).
10.28	Amendment to Case IH Agricultural Equipment Sales and Service Agreements, dated November 14, 2007, between CNH America LLC and the registrant (incorporated herein by reference to Exhibit 10.28 of the registrant's Amendment No. 5 to Registration Statement on Form S-1, Reg. No. 333-145526, filed with the Commission on November 27, 2007).

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No.	Description
10.29	Amendment to Case Construction Equipment Sales and Service Agreements, dated November 14, 2007, between CNH America LLC and the registrant (incorporated herein by reference to Exhibit 10.29 of the registrant's Amendment No. 5 to Registration Statement on Form S-1, Reg. No. 333-145526, filed with the Commission on November 27, 2007).
10.30	Amendment to Kobelco Construction Machinery America LLC Dealer Agreement, dated November 14, 2007, between Kobelco Construction Machinery America LLC and the registrant (incorporated herein by reference to Exhibit 10.30 of the registrant's Amendment No. 5 to Registration Statement on Form S-1, Reg. No. 333-145526, filed with the Commission on November 27, 2007).
10.31	Amendment to CNH America LLC Dealer Agreement for New Holland Construction Products, dated November 14, 2007, between CNH America LLC and the registrant (incorporated herein by reference to Exhibit 10.31 of the registrant's Amendment No. 5 to Registration Statement on Form S-1, Reg. No. 333-145526, filed with the Commission on November 27, 2007).
10.32	Amendment to CNH America LLC Dealer Agreement for New Holland Agricultural Equipment, dated November 14, 2007, between CNH America LLC and the registrant (incorporated herein by reference to Exhibit 10.32 of the registrant's Amendment No. 5 to Registration Statement on Form S-1, Reg. No. 333-145526, filed with the Commission on November 27, 2007).
10.33	Recapitalization Agreement, dated effective August 16, 2007, among the registrant, David J. Meyer, C.I. Farm Power, Inc., Peter Christianson, Adam Smith Growth Partners, L.P., Adam Smith Companies, LLC, Tony J. Christianson, Adam Smith Activist Fund, LLC, David Christianson and Earl Christianson (incorporated herein by reference to Exhibit 10.33 of the registrant's Amendment No. 5 to Registration Statement on Form S-1, Reg. No. 333-145526, filed with the Commission on November 27, 2007).
10.34	Form of Director and Officer Indemnification Agreement (incorporated by reference to Exhibit 10.34 of the registrant's Annual Report on Form 10-K filed with the Commission on April 11, 2012).
10.35	Agreement, dated July 17, 2007, between Cherry Tree Securities, LLC and the registrant (incorporated herein by reference to Exhibit 10.35 of the registrant's Amendment No. 5 to Registration Statement on Form S-1, Reg. No. 333-145526, filed with the Commission on November 27, 2007).
10.36	[Reserved]
10.37*	Titan Machinery Inc. Fiscal 2014 Non-Employee Director Compensation Plan**
10.38	Titan Machinery Inc. Executive Bonus Plan (incorporated by reference to Exhibit 10.38 of the registrant's Annual Report on Form 10-K filed with the Commission on April 11, 2012)**
10.39*	Compensation Arrangements for Executive Officers**
10.40	[Reserved]
10.41	Letter Agreement with CNH Capital America, LLC dated November 25, 2009 (incorporated herein by reference to Exhibit 10.1 of the registrant's Quarterly Report on Form 10-Q filed with the Commission on December 10, 2009).

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No.	Description
10.42	Second Amended and Restated Agreement for Wholesale Financing, dated March 12, 2010, between GE Commercial Distribution Finance Corporation and the registrant (incorporated herein by reference to the Exhibit 10.42 of the registrant's Annual Report on Form 10-K filed with the Commission on April 15, 2010).
10.43	Amended and Restated Credit Agreement dated as of March 30, 2012 by and among the registrant, Wells Fargo Bank, National Association, and the Financial Institutions Party Thereto (incorporated by reference to Exhibit 10.43 of the registrant's Annual Report on Form 10-K filed with the Commission on April 11, 2012).
10.44	Amended and Restated Security Agreement dated as of March 30, 2012 by and between the registrant and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 10.44 of the registrant's Annual Report on Form 10-K filed with the Commission on April 11, 2012).
10.45	Amendment dated October 27, 2011 to Amended and Restated Wholesale Floor Plan Credit Facility and Security Agreement, by and between the registrant and CNH Capital America LLC (incorporated herein by reference to Exhibit 10.2 of the registrant's Quarterly Report on Form 10-Q filed with the Commission on December 9, 2011).
10.46	Letter Agreement with CNH Capital America, LLC dated September 30, 2011 (incorporated herein by reference to Exhibit 10.3 of the registrant's Quarterly Report on Form 10-Q filed with the Commission on December 9, 2011).
10.47	Letter Agreement with CNH Capital America, LLC dated November 20, 2012 (incorporated herein by reference to Exhibit 10.1 of the registrant's Quarterly Report on Form 10-Q filed with the Commission on December 6, 2012).
10.48	First Amendment, dated as of December 4, 2012, to Amended and Restated Credit Agreement by and among the registrant, Wells Fargo Bank, National Association, and the Financial Institutions Party Thereto (incorporated herein by reference to Exhibit 10.2 of the registrant's Quarterly Report on Form 10-Q filed with the Commission on December 6, 2012).
10.49*	Letter Agreement with CNH Capital America, LLC dated February 15, 2013
10.50	Purchase Agreement, dated April 18, 2012, by and among the registrant and certain initial purchasers (incorporated herein by reference to Exhibit 10.1 of the registrant's Current Report on Form 8-K filed with the Commission on April 24, 2012).
21.1*	Subsidiaries of Titan Machinery Inc.
23.1*	Consent of Eide Bailly, LLP
24.1*	Power of Attorney (Included on Signature Page)
31.1*	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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No.	Description
101+	The following materials from Titan Machinery Inc.'s Annual Report on Form 10-K for the year ended January 31, 2013 are furnished herewith, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets as of January 31, 2013 and 2012, (ii) the Consolidated Statements of Operations for the years ended January 31, 2013, 2012 and 2011, (iii) the Consolidated Statements of Comprehensive Income for the years ended January 31, 2013, 2012 and 2011, (iv) the Consolidated Statements of Stockholders' Equity for the years ended January 31, 2013, 2012 and 2011 (v) the Consolidated Statements of Cash Flows for the years ended January 31, 2013, 2012 and 2011, and (vi) the Notes to the Consolidated Financial Statements.
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*	Filed herewith
+	Furnished herewith
**	Indicates management contract or compensatory plan or arrangement.