

OPNET TECHNOLOGIES INC
Form DEFR14A
October 09, 2003

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- | | | | |
|-------------------------------------|--|--------------------------|---|
| <input type="checkbox"/> | Preliminary Proxy Statement | <input type="checkbox"/> | Confidential for Use of the Commission Only |
| <input checked="" type="checkbox"/> | Definitive Proxy Statement | | (as permitted by Rule 14A-6(E)(2)) |
| <input type="checkbox"/> | Definitive Additional Materials | | |
| <input type="checkbox"/> | Soliciting Material Pursuant to (S) 240.14a-12 | | |

OPNET TECHNOLOGIES, 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:

(2) Aggregate number of securities to which transaction applies:

Edgar Filing: OPNET TECHNOLOGIES INC - Form DEFR14A

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

.. Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

OPNET TECHNOLOGIES, INC.

7255 WOODMONT AVENUE

BETHESDA, MARYLAND 20814

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON TUESDAY, NOVEMBER 18, 2003

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of OPNET Technologies, Inc. (the Company) will be held at the principal executive offices of the Company, 7255 Woodmont Avenue, Bethesda, Maryland 20814, on Tuesday, November 18, 2003 at 10:00 a.m., local time, for the purpose of considering and voting upon the following matters:

1. To elect two Class III directors for a three-year term extending until the 2006 Annual Meeting of Stockholders;
2. To ratify the appointment by the Board of Directors of Deloitte & Touche LLP as the Company's independent auditors for the current fiscal year; and
3. To transact such other business, if any, as may properly come before the Annual Meeting or any adjournments or postponements thereof.

The Board of Directors has no knowledge of any other business to be transacted at the Annual Meeting.

Holders of record of the Company's Common Stock at the close of business on October 3, 2003 are entitled to notice of and to vote at the Annual Meeting and at any adjournments thereof. A list of the Company's stockholders is open for examination to any stockholder at the principal executive offices of the Company, 7255 Woodmont Avenue, Bethesda, Maryland 20814 and will be available at the Annual Meeting.

A copy of the Company's Annual Report for the year ended March 31, 2003, which contains financial statements and other information of interest to stockholders, accompanies this Notice and the enclosed Proxy Statement.

By Order of the Board of Directors,

Marc A. Cohen

Chairman of the Board, Chief Executive Officer and Secretary

Bethesda, Maryland

Edgar Filing: OPNET TECHNOLOGIES INC - Form DEF14A

October 3, 2003

WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING, PLEASE COMPLETE, DATE AND SIGN THE ENCLOSED PROXY AND MAIL IT PROMPTLY IN THE ENCLOSED ENVELOPE IN ORDER TO ENSURE REPRESENTATION OF YOUR SHARES. NO POSTAGE NEED BE AFFIXED IF THE PROXY IS MAILED IN THE UNITED STATES.

OPNET TECHNOLOGIES, INC.

7255 WOODMONT AVENUE

BETHESDA, MARYLAND 20814

PROXY STATEMENT FOR THE ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON TUESDAY, NOVEMBER 18, 2003

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of OPNET Technologies, Inc., a Delaware corporation (the Company), of proxies for use at the Annual Meeting of Stockholders to be held on November 18, 2003 and at any adjournments thereof (the Annual Meeting).

All executed proxies will be voted in accordance with the stockholders' instructions, and if no choice is specified, executed proxies will be voted in favor of the matters set forth in the accompanying Notice of Meeting. Any proxy may be revoked by a stockholder at any time before its exercise by delivery of written revocation or a subsequently dated proxy to the Secretary of the Company or by voting in person at the Annual Meeting. Attendance at the Annual Meeting will not itself be deemed to revoke a proxy unless the stockholder gives affirmative notice at the Annual Meeting that the stockholder intends to revoke the proxy and vote in person.

The Board of Directors has fixed October 3, 2003 as the record date (the Record Date) for determining holders of the Company's Common Stock, \$.001 par value per share (the Common Stock), who are entitled to vote at the Annual Meeting. At the close of business on the Record Date, there were outstanding and entitled to vote an aggregate of 19,683,095 shares of Common Stock. Each share of Common Stock entitles the record holder thereof to one vote on each of the matters to be voted on at the Annual Meeting.

The Notice of Meeting, this Proxy Statement, the enclosed Proxy Card and the Company's Annual Report for the year ended March 31, 2003 are first being sent or given to stockholders on or about October 3, 2003.

Householding of Proxy Materials

Some banks, brokers and other nominee record holders may be participating in the practice of householding proxy statements and annual reports. This means that only one copy of this Proxy Statement or the Company's annual report may have been sent to multiple stockholders in your household. The Company will promptly deliver a separate copy of either document to you if you call or write the Company at the following address or phone number: OPNET Technologies, Inc., 7255 Woodmont Avenue, Bethesda, Maryland, phone: (240) 497-3000, Attention: Investor Relations. If you want to receive separate copies of the Company's annual report and Proxy Statement in the future, or if you are receiving multiple copies and would like to receive only one copy for your household, you should contact your bank, broker or other nominee record holder, or you may contact the Company at the above address and phone number.

Votes Required

Edgar Filing: OPNET TECHNOLOGIES INC - Form DEFR14A

The holders of a majority of the shares of Common Stock issued and outstanding and entitled to vote at the Annual Meeting will constitute a quorum for the transaction of business at the Annual Meeting. Shares of Common Stock present in person or represented by proxy (including shares which abstain or do not vote with respect to one or more of the matters presented for stockholder approval) will be counted for purposes of determining whether a quorum exists at the Annual Meeting.

The affirmative vote of the holders of shares of Common Stock representing a plurality of the votes cast on the matter is required for the election of the Class III directors. The affirmative vote of the holders of shares of Common Stock representing a majority of the votes cast on the matter is required to ratify the appointment of Deloitte & Touche LLP as the Company's independent auditors for the current fiscal year.

Shares which abstain from voting as to a particular matter, and shares held in street name by brokers or nominees who indicate on their proxies that they do not have discretionary authority to vote such shares as to a particular matter, will not be counted as votes in favor of such matter, and will also not be counted as shares voting on such matter. Accordingly, abstentions and broker non-votes will have no effect on the voting on matters (such as the ratification of the appointment of the auditors) that require the affirmative vote of a certain percentage of the votes cast or the shares voting on the matter.

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information regarding the beneficial ownership of the Company's Common Stock as of October 3, 2003 by:

each person known to the Company to beneficially own more than 5% of the outstanding shares of Common Stock;

each director and each nominee for director of the Company;

each of the executive officers of the Company; and

all executive officers, directors and the nominees for director of the Company as a group.

Except as set forth herein, the business address of the named beneficial owner is c/o OPNET Technologies, Inc., 7255 Woodmont Avenue, Bethesda, Maryland 20814 and each person or entity named in the table has sole voting power and investment power (or shares such power with his spouse) with respect to all shares of capital stock listed as owned by such person or entity.

<u>Beneficial Owner</u>	<u>Number Of Shares Beneficially Owned (1)</u>	<u>Percent Owned</u>
Wasatch Advisors, Inc. 150 Social Hall Avenue, Suite 400 Salt Lake City, UT 84111 (2)	1,590,517	8.1%
William Blair & Company, L.L.C. 222 West Adams Street Chicago, IL 60606-5312 (3)	1,428,722	7.3
Kern Capital Management LLC 114 W. 47th Street, Suite 1926 New York, NY 10036 (4)	1,301,300	6.6
Marc A. Cohen (5)	3,015,878	15.2
Alain J. Cohen (6)	4,980,874	25.2
Joseph W. Kuhn (7)	15,000	*
Steven G. Finn, PhD (8)	80,000	*
William F. Stasior (9)	90,000	*
All executive officers, directors and the nominees for director, as a group (5 persons) (10)	8,181,752	40.9

* Less than 1%.

Edgar Filing: OPNET TECHNOLOGIES INC - Form DEFR14A

- (1) The number of shares beneficially owned by each director, nominee for director, executive officer and stockholder is determined under rules promulgated by the Securities and Exchange Commission (SEC), and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any shares as to which the individual has sole or shared voting power or investment power and also any shares which the individual has the right to acquire within 60 days after October 3, 2003 through the exercise of any stock option or other right. The inclusion herein of such shares, however, does not constitute an admission that the named stockholder is a direct or indirect beneficial owner of such shares.
- (2) Based solely on information provided by Wasatch Advisors, Inc. on Form 13F filed with the SEC on August 15, 2003, which reports sole power to vote and dispose of all shares stated in the table above.
- (3) Based solely on information provided by William Blair & Company, L.L.C. on Form 13F filed with the SEC on July 10, 2003, which reports sole power to vote and dispose of all shares stated in the table above.

- (4) Based solely on information provided by Kern Capital Management LLC on Form 13F filed with the SEC on August 14, 2003 which reports sole power to vote and dispose of all shares stated in the table above.
- (5) Includes 118,750 shares of Common Stock issuable upon exercise of options that are currently exercisable or exercisable within 60 days after October 3, 2003.
- (6) Includes 56,250 shares of Common Stock issuable upon exercise of options that are currently exercisable or exercisable within 60 days after October 3, 2003.
- (7) Includes 15,000 shares of Common Stock issuable upon exercise of options that are currently exercisable or exercisable within 60 days after October 3, 2003.
- (8) Includes 60,000 shares of Common Stock issuable upon exercise of options that are currently exercisable or exercisable within 60 days after October 3, 2003.
- (9) Includes 52,500 shares of Common Stock issuable upon exercise of options that are currently exercisable or exercisable within 60 days after October 3, 2003.
- (10) Includes 302,500 shares of Common Stock issuable upon exercise of options that are currently exercisable or exercisable within 60 days after October 3, 2003.

PROPOSAL 1 ELECTION OF CLASS III DIRECTORS

The Company has a classified Board of Directors currently consisting of one vacant Class I directorship, two Class II directors and two Class III directors. The Class I, Class II and Class III directors will serve until the annual meeting of stockholders to be held in 2004, 2005 and 2003, respectively, and until their respective successors are duly elected and qualified. At each annual meeting of stockholders, directors are elected for a full term of three years to succeed those directors whose terms are expiring.

The persons named in the enclosed proxy will vote to elect Marc A. Cohen and William F. Stasior as the Class III directors, unless authority to vote for Mr. Cohen or Mr. Stasior is withheld by marking the proxy to that effect. Each Class III director will be elected to hold office until the 2006 annual meeting of stockholders (subject to the election and qualification of his successor and to his earlier death, resignation or removal).

Messrs. Cohen and Stasior have indicated their willingness to serve, if elected, but if they should be unable to serve, the person acting under the proxy may vote the proxy for a substitute nominee designated by the Board of Directors. The Board of Directors has no reason to believe that Mr. Cohen or Mr. Stasior will be unable to serve if elected.

For each member of the Board of Directors whose term of office as a director continues after the Annual Meeting, including Messrs. Cohen and Stasior, there follows information given by that director concerning his principal occupation and business experience for at least the past five years, the names of other publicly held companies of which he serves as a director and his age and length of service as a director of the Company. There are no family relationships among any of the directors, nominees for director and executive officers of the Company, except that Marc A. Cohen and Alain J. Cohen are brothers. Information with respect to the number of shares of Common Stock beneficially owned by each director and each nominee for director, directly or indirectly, as of October 3, 2003 appears under the heading Security Ownership of Certain Beneficial Owners and Management.

Nominees for Term Expiring in 2006 (Class III Directors)

Marc A. Cohen, one of the Company's founders, is 40 years old and has served as our chairman of the board since our inception in 1986 and as our chief executive officer since 1994. From 1986 to 1992, Mr. Cohen was also a consultant with Booz Allen Hamilton Inc., an international management and consulting company. Mr. Cohen received a bachelor's degree in engineering science from Harvard University and a master's degree in electrical engineering from Stanford University.

William F. Stasior is 62 years old and has served as a member of our board of directors since March 1998. Since October 1999, he has served as senior chairman of Booz Allen Hamilton Inc. (Booz Allen). From 1991 to October 1999, he served as chairman of Booz Allen and from 1991 to April 1999, he served as chief executive officer of Booz Allen. Mr. Stasior currently serves on the board of directors of Rare Medium Group, Inc., an Internet services company.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE DIRECTOR NOMINEES LISTED ABOVE.

Directors Whose Terms Expire in 2005 (Class II Directors)

Alain J. Cohen, one of the Company's founders, is 36 years old and has served as our president and chief technology officer and as a member of our board of directors since our inception in 1986. Mr. Cohen received a bachelor's degree in electrical engineering from the Massachusetts Institute of Technology (M.I.T.).

Dr. Steven G. Finn is 57 years old and has served as a member of our board of directors since March 1998. Dr. Finn has been a principal research scientist and lecturer at M.I.T. since 1991. Dr. Finn has also served as a consultant with Matrix Partners, a venture capital firm, since 1991.

Directors Whose Terms Expire in 2004 (Class I Director)

The Class I Director seat is currently vacant. The Board of Directors is engaged in an ongoing search for a new independent director. At such time as the Board recruits a suitable new director, the Company expects the Board would designate such director to fill the Class I vacancy.

Board and Committee Meetings

The Board of Directors met four times (including by teleconference) during fiscal 2003. Each director attended all of the meetings of the Board of Directors and at least 75% of the meetings of the committees on which he then served.

The Board of Directors has a Compensation Committee, currently composed of Dr. Finn and Mr. Stasior, which reviews executive salaries, administers the Company's bonus, incentive compensation and stock plans and approves the salaries and other benefits of the Company's executive officers. In addition, the Compensation Committee consults with the Company's management regarding the Company's benefit plans and compensation policies and practices. The Compensation Committee met three times during fiscal 2003.

The Board of Directors also has an Audit Committee, currently composed of Dr. Finn and Mr. Stasior. The Audit Committee acts under a written charter first adopted and approved in July 2000. A copy of this charter was filed as Appendix A to the proxy statement filed July 26, 2001. The members of the Audit Committee are independent directors, as defined by its charter and the rules of the National Association of Securities Dealers relating to listing on the NASDAQ Stock Market. The Audit Committee met five times during fiscal 2003. The functions of the Audit Committee include:

Edgar Filing: OPNET TECHNOLOGIES INC - Form DEFR14A

recommending to the Board of Directors the appointment of the Company's independent auditors;

reviewing the independence of the independent auditors;

reviewing the annual audit plan of the independent auditors, the results of the independent audit, and the report and recommendations of the independent auditors;

evaluating the adequacy of the Company's internal financial and accounting processes and controls; and

reviewing with management and the independent auditors the annual and interim financial statements of the Company.

Stockholders wishing to propose director candidates for consideration by the Company may do so by writing to the Secretary of the Company and providing the information specified in the Company's Bylaws, including the candidate's name, address and principal occupation. The Company's Bylaws set forth further requirements for stockholders wishing to nominate director candidates for consideration by stockholders including, among other things, that a stockholder must give written notice of an intent to make such a nomination complying with the Bylaws of the Company to the Secretary of the Company received not less than 60 days nor more than 90 days prior to the first anniversary of the 2003 Annual Meeting; provided that, in the event that the date of the 2004 Annual Meeting is advanced by more than 20 days, or delayed by more than 60 days, from the first anniversary of the 2003 Annual Meeting, notice by the stockholder must be received not earlier than the 90th day prior to the 2004 Annual Meeting and not later than the close of business on the later of (i) the 60th day prior to the 2004 Annual Meeting and (ii) the 10th day following the date on which such notice of the date of the meeting was mailed or such public disclosure was made, whichever occurs first.

Compensation of Directors

Directors are reimbursed for reasonable out-of-pocket expenses incurred in attending meetings of the Board of Directors. No director who is an employee of the Company receives separate compensation for services rendered as a director.

The Company's non-employee directors receive automatic annual grants of stock options pursuant to the Company's 2000 Director Stock Option Plan. Stock options will be granted to each non-employee director as follows:

each person who first becomes a non-employee director after August 7, 2000, other than pursuant to election at an annual meeting of stockholders, will be granted an option on the date of his or her election to the Board of Directors to purchase a number of shares of Common Stock calculated by multiplying 1,250 by the number of full calendar months remaining from the date of his or her initial election to the Board of Directors until the first anniversary of the prior year's annual meeting of stockholders; and

each non-employee director will be granted an option to purchase 15,000 shares of Common Stock on the date of each annual meeting of stockholders commencing with the 2001 Annual Meeting of Stockholders, provided that he or she is serving as a director immediately following such annual meeting of stockholders.

These options will have an exercise price equal to the closing price of the Common Stock on the NASDAQ National Market on the date of grant. These options will also be exercisable in full on the first anniversary of the date of grant and will terminate on the earliest to occur of (i) the tenth anniversary of the date of grant or (ii) the first anniversary of the date on which the recipient ceases to serve as a director.

Compensation of Executive Officers

The table below sets forth, for the years ended March 31, 2003, 2002 and 2001, the total compensation earned by the Company's Chief Executive Officer and its other executive officers. In accordance with the rules of the SEC, the compensation set forth in the table below does not include medical, group life or other benefits which are available to all of the Company's salaried employees, and perquisites and other benefits, securities or property which do not exceed the lesser of \$50,000 or 10% of the person's salary and bonus shown in the table.

Summary Compensation Table

Name And Principal Position	Fiscal Year	Annual Compensation		Long-Term Compensation Awards	All Other Compensation (1)
		Salary	Bonus	Shares	
				Underlying Options	
Marc A. Cohen	2003	\$ 200,000	\$	50,000	\$ 3,000
<i>Chairman of the Board and Chief Executive Officer</i>	2002	200,000		100,000	3,000
	2001	186,667	150,000	75,000	3,000
Alain J. Cohen	2003	200,000			3,000
<i>President and Chief Technology Officer</i>	2002	200,000			3,000
	2001	186,667	150,000	75,000	3,000
Joseph W. Kuhn (2)	2003	175,000		10,000	3,729
<i>Vice President and Chief Financial Officer</i>	2002	41,954		50,000	1,458

(1) Represents amounts contributed by the Company under its 401(k) plan.

(2) Mr. Kuhn commenced his employment on January 7, 2002 at an annual base salary of \$175,000.

Option Grants in Last Fiscal Year

The following table sets forth each grant of stock options during the year ended March 31, 2003 to the executive officers. All of these options were granted with an exercise price equal to or exceeding the fair market value of the Common Stock on the date of grant.

Name	Individual Grants					Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation For Option Term (1)	
	Number of Shares Underlying Options Granted	Percent Of Total Options Granted to Employees in Fiscal Year	Exercise Price Per Share	Expiration Date			
					5%	10%	

Edgar Filing: OPNET TECHNOLOGIES INC - Form DEFR14A

Marc A. Cohen	50,000(2)	4.8%	\$ 5.85	8/8/2012	\$ 183,952	\$ 466,170
Alain J. Cohen						
Joseph W. Kuhn	10,000(3)	1.0	5.85	8/8/2012	36,790	93,234

- (1) Amounts reported in these columns represent amounts that may be realized upon exercise of the options immediately prior to the expiration of their term assuming the specified compound rates of appreciation (5% and 10%) on the market value of the Common Stock on the date of option grant over the term of the options. These numbers are calculated based on rules promulgated by the SEC and do not reflect the Company's estimate of future stock price growth. Actual gains, if any, on stock option exercises and Common Stock holdings are dependent on the timing of such exercise and the future performance of the Common Stock. There can be no assurance that the rates of appreciation assumed in this table can be achieved or that the amounts reflected will be received by the option holder.
- (2) The option vests as to 12,500 shares on each of April 1, 2003, 2004, 2005, and 2006.
- (3) The option vests as to 2,500 shares on each of April 1, 2003, 2004, 2005, and 2006.

Option Exercises and Fiscal Year-End Option Values

The table below sets forth information concerning stock options held by each of the executive officers on March 31, 2003. None of the executive officers exercised stock options during the year ended March 31, 2003.

Fiscal Year-End Option Values

<u>Name</u>	<u>Number of Shares</u>		<u>Value of Unexercised</u>	
	<u>Underlying Unexercised</u>		<u>In-the-Money Options</u>	
	<u>Options at Fiscal Year End</u>		<u>at Fiscal Year End (1)</u>	
	<u>Exercisable</u>	<u>Unexercisable</u>	<u>Exercisable</u>	<u>Unexercisable</u>
Marc A. Cohen	62,500	162,500		
Alain J. Cohen	37,500	37,500		
Joseph W. Kuhn	12,500	47,500		

- (1) None of the executive officers held in-the-money options at fiscal year end because the exercise price per share of their options exceeded \$5.47, the last sales price per share of the Common Stock on March 31, 2003, as reported on the NASDAQ National Market.

Agreements with Executives

Marc Cohen and Alain Cohen each entered into a non-compete agreement with the Company on September 30, 1997. Under the agreements, Marc Cohen and Alain Cohen each agreed not to compete with the Company during the term of his employment and, in the event that his employment with the Company is terminated either at his voluntary election or by the Company for good cause, for a period of 12 months thereafter. In addition, Marc Cohen and Alain Cohen each agreed not to solicit the Company's employees or customers on behalf of any competitor during the same period. Also, Marc Cohen and Alain Cohen each agreed to protect the Company's confidential information during his employment, except as appropriate in the performance of his duties, and after the termination of his employment.

The Company has also entered into nondisclosure, non-compete, nonsolicitation and ownership of inventions agreements with Mr. Kuhn, under which he has agreed to protect the Company's confidential information during and after the termination of his employment, and not to compete with the Company during the term of his employment and for 12 months after termination of his employment.

Report of the Compensation Committee on Executive Compensation

This report addresses the compensation policies of the Company applicable to its executive officers during fiscal 2003. The Company's executive compensation program is administered by the Compensation Committee of the Board of Directors, which is composed of two non-employee directors. The Compensation Committee is responsible for determining the compensation package of each executive officer, including the Chief Executive Officer.

Executive Compensation Philosophy

The Board of Directors and the Compensation Committee believe that the goals with respect to executive compensation are to align compensation with business objectives and performance and to enable the Company to attract, retain and reward executive officers and other key employees who contribute to the long-term success of the Company, and to establish an appropriate relationship between executive compensation and the creation of long-term stockholder value. To meet these goals, the Compensation Committee has adopted a mix among the compensation elements of salary, cash bonus and stock options.

The Board of Directors and the Compensation Committee also believe that the compensation of the Chief Executive Officer and the Company's other executive officers should be based to a substantial extent on the Company's performance and adjusted, as appropriate, based on such executive officer's performance against personal performance objectives. Generally, when establishing salaries, bonus levels and stock option awards for executive officers, the Compensation Committee considers: (i) the Company's financial performance during the past year and recent quarters, (ii) the individual's performance during the past year and recent quarters and (iii) the salaries of executive officers in similar positions of companies of comparable size and capitalization and other companies within the network management software industry.

Compensation Components

Three major components of the Company's executive officer compensation are (i) base salary, (ii) annual incentive awards in the form of cash bonuses and (iii) long-term, equity-based incentive awards.

Base Salary. At the beginning of each year, the Compensation Committee generally meets to set the base salary levels of the Company's executive officers for the coming year. The Compensation Committee did not increase the base salaries of the Company's executive officers for the year ended March 31, 2003, including that of Marc Cohen, the Company's Chief Executive Officer. When reviewing base salaries, the Compensation Committee considered individual and corporate performance, levels of responsibility, prior experience, breadth of knowledge and competitive pay practices. The Compensation Committee recognizes the importance of maintaining compensation practices and levels of compensation competitive with other software companies in the Company's industry and anticipates reviewing compensation packages at least annually.

Cash Bonus. The Company's cash bonus program is designed to motivate executives to work effectively to achieve the Company's financial performance objectives and to reward them when objectives are met. Under the cash bonus program, the executive officers receive annual bonuses within the framework of the bonus plans approved by the Compensation Committee for each executive. The Compensation Committee is responsible for establishing the compensation including the salaries and bonuses of each executive officer. In accordance with the cash bonus program, the Company did not award cash bonuses for fiscal 2003 to any of its executive officers.

Long-Term Incentive Compensation. The Company's Amended and Restated 2000 Stock Incentive Plan has been established to provide all employees of the Company, including executive officers, with an opportunity to share, along with stockholders of the Company, in the long-term performance of the Company. The Compensation Committee strongly believes that a primary goal of the compensation program is to provide key employees who have significant responsibility for the management, growth and future success of the Company with the opportunity to participate in the financial gain from price increases in the Common Stock. Executives are eligible to receive stock options giving them the right to purchase shares of Common Stock of the Company in the future at a price equal to the fair market value at the date of grant. Unless the Board of Directors, the Compensation Committee or the Chief Executive Officer provides otherwise, option grants to all executives, including the Chief Executive Officer, are exercisable as to one-fourth of the underlying shares on each of the first, second, third and fourth anniversaries of the grant date. Annual grants to executives other than the Chief Executive Officer are considered and approved by the Compensation Committee based upon recommendations made by the Chief Executive Officer at the end of each year based upon (i) the individual executive's performance during that year and (ii) market data relating to option grants to individuals occupying similar positions at comparably situated companies.

During fiscal 2003, the Compensation Committee granted Marc Cohen options to purchase an aggregate of 50,000 shares of Common Stock. During fiscal 2003, the Company granted options to purchase an aggregate of 10,000 shares of Common Stock to the other executive officers of the Company.

Compliance with Internal Revenue Code Section 162(m)

Section 162(m) of the Internal Revenue Code generally disallows a tax deduction to public companies for compensation in excess of \$1 million paid to the corporation's Chief Executive Officer and four other most highly compensated officers. Qualifying performance-based compensation will not be subject to the deduction limitation if certain requirements are met. The Compensation Committee periodically reviews the potential consequences of Section 162(m) and may structure the performance-based portion of its executive compensation to comply with certain exemptions in Section 162(m). However, the Compensation Committee reserves the right to use its judgment to authorize compensation payments that do not comply with the exemptions in Section 162(m) when the Compensation Committee believes that such payments are appropriate and in the best interests of the stockholders, after taking into consideration changing business conditions or the officer's performance.

By the Compensation Committee of the Board of Directors.

Steven G. Finn, PhD

William F. Stasior

Compensation Committee Interlocks and Insider Participation

The current members of the Compensation Committee are Dr. Finn and Mr. Stasior. No executive officer of the Company has served as a director or member of the compensation committee (or other committee serving an equivalent function) of any other entity, one of whose executive officers served as a director or member of the Compensation Committee of the Company.

Report of the Audit Committee of the Board of Directors

The Audit Committee reviewed the Company's audited financial statements for the fiscal year ended March 31, 2003 and discussed these financial statements with the Company's management. The Audit Committee also reviewed and discussed the audited financial statements and the matters required by Statement on Auditing Standards 61 (Communication with Audit Committees) with Deloitte & Touche LLP, the Company's independent auditors.

The Company's independent auditors also provided the Audit Committee with the written disclosures and the letter required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees). The Audit Committee discussed with the independent auditors the matters disclosed in this letter and their independence from the Company. The Audit Committee also considered whether the independent auditors' provision of the other, non-audit related services to the Company which are referred to under the heading "Independent Auditor Fees and Other Matters" is compatible with maintaining such auditors' independence.

Based on its discussions with management and the independent auditors, and its review of the representations and information provided by management and the independent auditors, the Audit Committee recommended to the Company's Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended March 31, 2003.

By the Audit Committee of the Board of Directors.

Steven G. Finn, PhD

William F. Stasior

Comparative Stock Performance

The graph below compares the cumulative total stockholder return on the Common Stock of the Company from August 2, 2000 (the first trading date following the Company's initial public offering) to March 31, 2003 with the cumulative total return of (i) the NASDAQ Stock Market and (ii) the NASDAQ Computer & Data Processing Index. These graphs assume the investment of \$100.00 on August 2, 2000 in the Company's Common Stock, the NASDAQ Stock Market, and the NASDAQ Computer & Data Processing Index, and in each case assumes that any dividends are reinvested.

COMPARISON OF 32 MONTH CUMULATIVE TOTAL RETURN*
AMONG OPNET TECHNOLOGIES, INC., THE NASDAQ STOCK MARKET (U.S.) INDEX
AND THE NASDAQ COMPUTER & DATA PROCESSING INDEX

* \$100 invested on 8/2/00 in stock or index including reinvestment of dividends.
Fiscal year ending March 31.

PROPOSAL 2 RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS

The Board of Directors has appointed the firm of Deloitte & Touche LLP as the Company's independent auditors for the current fiscal year. Although stockholder approval of the Board of Directors' appointment of Deloitte & Touche is not required by law, the Board of Directors believes that it is advisable to give stockholders an opportunity to ratify this appointment. If this proposal is not approved at the Annual Meeting, the Board of Directors may reconsider its appointment of Deloitte & Touche. Deloitte & Touche served as the Company's independent auditors for the year ended March 31, 2003.

Representatives of Deloitte & Touche are expected to be present at the Annual Meeting and will have the opportunity to make a statement if they desire to do so and will also be available to respond to appropriate questions from stockholders.

Independent Auditor Fees and Other Matters

Audit Fees

Deloitte & Touche billed the Company an aggregate of \$282,000 in fees for professional services rendered in connection with the audit of the Company's financial statements for the most recent fiscal year and the reviews of the financial statements included in each of the Company's Quarterly Reports on Form 10-Q during the fiscal year ended March 31, 2003.

Financial Information Systems Design and Implementation Fees

Deloitte & Touche did not render, or bill the Company for, any professional services to the Company and its affiliates for the fiscal year ended March 31, 2003 in connection with financial information systems design or implementation, the operation of the Company's information system or the management of its local area network.

All Other Fees

Deloitte & Touche billed the Company an aggregate of \$29,000 in fees for other services rendered to the Company and its affiliates for the fiscal year ended March 31, 2003.

Other Matters

The Audit Committee considered whether the services rendered by Deloitte & Touche during the fiscal year ended March 31, 2003, other than the services rendered in connection with their audit of the Company's annual financial statements and review of the quarterly financial statements, are compatible with maintaining Deloitte & Touche's independence.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE RATIFICATION OF THE SELECTION OF DELOITTE & TOUCHE LLP TO SERVE AS THE COMPANY S INDEPENDENT AUDITORS FOR THE FISCAL YEAR ENDING MARCH 31, 2004.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires the Company s directors, executive officers and holders of more than 10% of the Common Stock (Reporting Persons) to file with the SEC initial reports of ownership and reports of changes in ownership of Common Stock and other equity securities of the Company. Based solely on its review of copies of reports filed by the Reporting Persons furnished to the Company, the Company believes that during the year ended March 31, 2003 the Reporting Persons complied with all Section 16(a) filing requirements, except as follows: Dr. Finn filed one late report covering one transaction; Mr. Stasior filed one late report covering one transaction; and Mr. Pradeep Singh, then an executive officer and a Reporting Person, filed two late reports covering four transactions.

OTHER MATTERS

The Board of Directors does not know of any other matters that may come before the Annual Meeting. However, if any other matters are properly presented to the Annual Meeting, it is the intention of the persons named in the accompanying proxy to vote, or otherwise act, in accordance with their judgment on such matters.

All costs of solicitation of proxies will be borne by the Company. In addition to solicitations by mail, the Company's directors, officers and employees, without additional remuneration, may solicit proxies by telephone, telegraph and personal interviews, and the Company reserves the right to retain outside agencies for the purpose of soliciting proxies. Brokers, custodians and fiduciaries will be requested to forward proxy soliciting material to the owners of stock held in their names, and, as required by law, the Company will reimburse them for their out-of-pocket expenses in this regard.

STOCKHOLDER PROPOSALS FOR 2004 ANNUAL MEETING

To be considered for inclusion in the proxy statement for the 2004 Annual Meeting, stockholder proposals must be submitted to the Secretary of the Company at its principal executive offices at 7255 Woodmont Avenue, Bethesda, Maryland 20814, no later than the close of business on June 5, 2004.

If a stockholder of the Company wishes to present a proposal directly at the 2004 Annual Meeting, but does not wish to have the proposal considered for inclusion in the proxy statement, such stockholder must also give written notice to the Secretary of the Company at the address noted above. The Secretary must receive such notice not less than 60 days nor more than 90 days prior to the first anniversary of the 2003 Annual Meeting; provided that, in the event that the date of the 2004 Annual Meeting is advanced by more than 20 days, or delayed by more than 60 days, from the first anniversary of the 2003 Annual Meeting, notice by the stockholder must be received not earlier than the 90th day prior to the 2004 Annual Meeting and not later than the close of business on the later of (i) the 60th day prior to the 2004 Annual Meeting and (ii) the 10th day following the date on which such notice of the date of the meeting was mailed or such public disclosure was made, whichever occurs first. If a stockholder fails to provide timely notice of a proposal to be presented at the 2004 Annual Meeting, the proxies designated by the Board of Directors of the Company will have discretionary authority to vote on any such proposal. The Company reserves the right to reject, rule out of order, or take other appropriate action with respect to any proposal that does not comply with these and other applicable requirements.

By Order of the Board of Directors,

Marc A. Cohen

Chairman of the Board, Chief Executive Officer and Secretary

Bethesda, Maryland

October 3, 2003

A COPY OF THE COMPANY'S FORM 10-K REPORT FOR FISCAL YEAR 2003, CONTAINING INFORMATION ON OPERATIONS, FILED WITH THE SECURITIES AND EXCHANGE COMMISSION, IS AVAILABLE UPON REQUEST WITHOUT CHARGE. PLEASE CONTACT:

Investor Relations

OPNET Technologies, Inc.

7255 Woodmont Avenue

Bethesda, Maryland 20814

THE BOARD OF DIRECTORS HOPES THAT STOCKHOLDERS WILL ATTEND THE MEETING. WHETHER OR NOT YOU PLAN TO ATTEND, YOU ARE URGED TO COMPLETE, DATE, SIGN AND RETURN THE ENCLOSED PROXY IN THE ACCOMPANYING ENVELOPE. STOCKHOLDERS WHO ATTEND THE MEETING MAY VOTE THEIR STOCK PERSONALLY EVEN IF THEY HAVE SENT IN THEIR PROXIES.

PROXY

OPNET Technologies, Inc.

Proxy for the Annual Meeting of Stockholders to be held Tuesday, November 18, 2003

This Proxy is Solicited on Behalf of the Board of Directors of the Company.

The undersigned, having received notice of the meeting and the Board of Director's proxy statement therefor, and revoking all prior proxies, hereby appoint(s) Alain J. Cohen, Marc A. Cohen, Joseph W. Kuhn and Dennis R. McCoy, and each of them, with full power of substitution, as proxies to represent and to vote, as designated herein, all shares of stock of OPNET Technologies, Inc. (the Company) which the undersigned would be entitled to vote if personally present at the Annual Meeting of Stockholders of the Company to be held at the principal executive office of the Company, 7255 Woodmont Avenue, Bethesda, Maryland 20814, on Tuesday, November 18, 2003, at 10:00 a.m., local time, and at any adjournment thereof (the Meeting). The matters set forth below have been proposed by the Company.

In their discretion, the proxies are authorized to vote upon such matters as may properly come before the Meeting or any adjournment thereof.

This proxy, when properly executed, will be voted in the manner directed herein by the undersigned stockholder. **If no direction is given, this proxy will be voted as recommended by the Board of Directors.** Attendance of the undersigned at the meeting or at any adjournment thereof will not be deemed to revoke this proxy unless the undersigned shall vote in person at the meeting.

CONTINUED AND TO BE SIGNED ON REVERSE SIDE

< FOLD AND DETACH HERE <

< FOLD AND DETACH HERE <

PROXY

Please sign, date and mail your proxy card back as soon as possible!

Annual Meeting of Stockholders

OPNET Technologies, Inc.

November 18, 2003

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS.

PLEASE MARK [X] YOUR VOTES AS INDICATED IN THIS EXAMPLE.

The Board of Directors recommends a vote FOR the election of all nominees and FOR Proposal 2.

1. To elect the following directors to serve for a term ending upon the 2006 Annual Meeting of Stockholders or until their successors are elected and qualified.

Nominees: Marc A. Cohen and William F. Stasior

FOR ALL NOMINEES WITHHOLD AUTHORITY FOR ALL NOMINEES FOR ALL EXCEPT (see instructions below)

INSTRUCTIONS: To **withhold** authority to vote for for any individual nominee(s), mark For All Except and write the nominee name(s) below:

2. To ratify the appointment of Deloitte & Touche LLP as the Company's independent auditors for the fiscal year ending March 31, 2004.

FOR AGAINST ABSTAIN

3. To transact such other business as may properly come before the Meeting or any adjournment thereof.

Edgar Filing: OPNET TECHNOLOGIES INC - Form DEFR14A

MARK HERE FOR ADDRESS CHANGE AND NOTE BELOW [].

Signature(s) _____ Date _____, 2003

Note: Please sign exactly as your name(s) appear(s) hereon. When shares are held as joint-tenants, both should sign. When signing as an executor, administrator, trustee, guardian, attorney-in-fact or other fiduciary, please give full title as such. When signing as a corporation, please sign in full corporate name by President or other authorized officer. When signing as a partnership, please sign in partnership name by an authorized person.

< FOLD AND DETACH HERE <