

NAVISITE INC  
Form DEF 14A  
October 30, 2009

**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 Rule 14a-12

**NaviSite, 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:

(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.

Edgar Filing: NAVISITE INC - Form DEF 14A

- o 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:

---

**400 Minuteman Road  
Andover, Massachusetts 01810**

October 30, 2009

Dear NaviSite Stockholders:

I am pleased to invite you to attend the 2009 Annual Meeting of Stockholders of NaviSite, Inc., to be held on Tuesday, December 15, 2009, at 9:00 a.m., local time, at the Marriott Boston Cambridge Hotel, located at Two Cambridge Center, 50 Broadway, Cambridge, Massachusetts 02142.

Specific details regarding admission to the meeting and the business to be conducted at the Annual Meeting are included in the Notice of Annual Meeting of Stockholders and Proxy Statement.

This year we are using the Internet as our primary means of furnishing proxy materials to stockholders. Consequently, most stockholders will not receive paper copies of our proxy materials. We will instead send these stockholders a notice with instructions for accessing the proxy materials and voting via the Internet. The notice also provides information on how stockholders may obtain paper copies of our proxy materials if they so choose. This makes the proxy-distribution process more efficient and less costly and helps conserve natural resources.

Your vote is important. Whether or not you plan to attend the annual meeting, please vote as soon as possible. As an alternative to voting in person at the annual meeting, you may vote via the Internet, by telephone or, if you receive a paper proxy card in the mail, by completing and returning the proxy card. Voting by any of these methods will ensure your representation at the annual meeting.

Thank you for your continued support.

Sincerely,

Arthur P. Becker  
*Chief Executive Officer and President*

---

**NAVISITE, INC.**  
**400 Minuteman Road**  
**Andover, MA 01810**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**  
**To Be Held on Tuesday, December 15, 2009**

To the Stockholders of NaviSite, Inc.:

Notice is hereby given that the annual meeting of stockholders (the **Annual Meeting**) of NaviSite, Inc., a Delaware corporation ( **NaviSite** ), will be held on Tuesday, December 15, 2009, at 9:00 a.m., local time, at the Marriott Boston Cambridge Hotel, located at Two Cambridge Center, 50 Broadway, Cambridge, MA 02142, for the following purposes:

- (1) to elect each of Andrew Ruhan, Arthur P. Becker, James Denny, Thomas R. Evans and Larry Schwartz, the current members of the board of directors of NaviSite (the **Board of Directors** ), to serve for an additional one-year term;
- (2) to amend NaviSite's Amended and Restated 1999 Employee Stock Purchase Plan (the **ESPP** ) to increase the number of shares of common stock authorized for issuance pursuant to the ESPP by 600,000 shares;
- (3) to ratify the appointment of KPMG LLP as NaviSite's independent registered public accounting firm for the fiscal year ending July 31, 2010; and
- (4) to transact such other business as may properly come before the meeting or any adjournment thereof.

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

Admission of stockholders to the Annual Meeting will be on a first-come-first-served basis, and picture identification will be required to enter the Annual Meeting. An individual arriving without picture identification will not be admitted unless it can be verified that the individual is a NaviSite stockholder. Use of cameras, cellular phones, recording equipment and other electronic devices will not be permitted at the Annual Meeting. NaviSite reserves the right to inspect any persons or items before being admitted to the Annual Meeting.

Only stockholders of record as of the close of business on Monday, October 19, 2009, are entitled to notice of, and to vote at, the Annual Meeting. All stockholders are cordially invited to attend the meeting.

By order of the Board of Directors,

Thomas b. rosedale  
*Secretary*

Andover, Massachusetts  
October 30, 2009

**YOUR VOTE IS IMPORTANT.**

**In order to ensure your representation at the Annual Meeting, please submit your proxy and voting instructions via the Internet or by telephone, or, if you receive a paper proxy card and voting instructions by mail, you may vote your shares by completing, signing and dating the proxy card as promptly as possible and returning it in the enclosed envelope (to which no postage needs to be affixed if mailed in the United States). Please refer to the section entitled *Voting Instructions* on page 2 of the proxy statement for a description of these voting methods.**

---

**NAVISITE, INC.**

**PROXY STATEMENT**

*Annual Meeting of Stockholders  
To Be Held on Tuesday, December 15, 2009*

**General**

This proxy statement (this **Proxy Statement**) is furnished in connection with the solicitation of proxies by the board of directors (the **Board of Directors** or **Board**) of NaviSite, Inc., a Delaware corporation (**NaviSite**), for use at NaviSite's 2009 annual meeting of stockholders, which will be held on Tuesday, December 15, 2009 (the **Annual Meeting**), at 9:00 a.m., local time, at the Marriott Boston Cambridge Hotel, Two Cambridge Center, 50 Broadway, Cambridge, MA 02142, and at any adjournments thereof, for the purposes set forth in the notice of annual meeting of stockholders (the **Notice of Annual Meeting**). You may obtain directions to the location of our Annual Meeting by writing or calling our Investor Relations Department at 400 Minuteman Road, Andover, Massachusetts 01810, or telephone (978) 682-8300.

On or about November 2, 2009, we are either mailing or providing notice and electronic delivery of these proxy materials together with an annual report, consisting of our annual report on Form 10-K for the fiscal year ended July 31, 2009 (the **2009 Annual Report**), and other information required by the rules of the Securities and Exchange Commission. NaviSite's principal executive offices are located at 400 Minuteman Road, Andover, Massachusetts 01810, and its telephone number is (978) 682-8300.

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting To Be Held on December 15, 2009: This Proxy Statement and our 2009 Annual Report are available for viewing, printing and downloading at [www.navisiteproxy.com](http://www.navisiteproxy.com).**

**Solicitation**

The cost of soliciting proxies, including expenses in connection with preparing, printing and mailing of the notice of Internet availability of proxy materials, this Proxy Statement and any additional solicitation material will be borne by NaviSite. NaviSite may engage a paid proxy solicitor to assist in the solicitation. Copies of solicitation materials will be furnished to brokerage houses, nominees, fiduciaries and custodians to forward to beneficial owners of NaviSite's common stock, \$.01 par value per share (the **Common Stock**), held in their names. In addition to the solicitation of proxies by mail, NaviSite's directors, officers and other employees may, without additional compensation, solicit proxies by telephone, facsimile, electronic communication and personal interviews. NaviSite will also reimburse banks, brokerage firms and other custodians, nominees and fiduciaries for reasonable expenses incurred by them in sending proxy materials to stockholders.

**Record Date, Voting Securities and Votes Required**

Only holders of record of Common Stock and NaviSite Series A Convertible Preferred Stock (the **Preferred Stock**) as of the close of business on Monday, October 19, 2009 (the **Record Date**), will be entitled to receive notice of and vote

at the Annual Meeting and any adjournments thereof. On the Record Date, NaviSite had approximately 37,276,771 shares of Common Stock and 3,774,381 shares of Preferred Stock issued and outstanding and entitled to be voted. The holders of Common Stock and Preferred Stock are entitled to one vote for each share held as of the Record Date on any proposal presented at the Annual Meeting. The holders of Common Stock and Preferred Stock vote together as one class.

A majority of the shares of Common Stock and Preferred Stock issued and outstanding and entitled to be voted at the Meeting will constitute a quorum at the Annual Meeting. Votes withheld, abstentions and broker

---

non-votes shall be counted for purposes of determining the presence or absence of a quorum for the transaction of business at the Annual Meeting.

The affirmative vote of the holders of a plurality of the votes cast at the Annual Meeting is required for the election of directors (Proposal No. 1). The affirmative vote of the holders of a majority of the shares of Common Stock and Preferred Stock, voting together as a single class, present or represented by proxy and voting on the matter is required to amend the NaviSite's Amended and Restated 1999 Employee Stock Purchase Plan (the **ESPP**) to increase the number of shares of Common Stock authorized for issuance pursuant to the ESPP by 600,000 (Proposal No. 2) (the **ESPP Proposal**). The affirmative vote of the holders of a majority of the shares of Common Stock and Preferred Stock, voting together as a single class, present or represented by proxy and voting on the matter is required to ratify the appointment of KPMG LLP as NaviSite's independent registered public accounting firm for the fiscal year ending July 31, 2010 (Proposal No. 3).

Shares that abstain from voting on 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 (**broker non-votes**) will not be counted as votes in favor of such matter and will also not be counted as votes cast or shares voting on such matter. Accordingly, neither abstentions nor broker non-votes will have any effect upon the outcome of voting with respect to the election of directors (Proposal No. 1), which requires a plurality of the votes cast, or the approval of the ESPP Proposal or the ratification of the appointment of KPMG LLP as NaviSite's independent registered public accounting firm (Proposal No. 3), which each require an affirmative vote of a majority of the shares of Common Stock and Preferred Stock present or represented by proxy and voting on the matter.

An automated system administered by NaviSite's transfer agent tabulates the votes. The votes on each matter are tabulated separately.

### **Voting Instructions**

If you received a paper copy of these proxy materials, included with such copy is a proxy card or a voting-instruction card from your bank, broker or other nominee for the Annual Meeting with instructions for voting via the Internet or by telephone. If you received a notice of Internet availability of proxy materials, such notice will contain instructions on how to access and review the proxy materials online and how to obtain a paper or electronic copy of the materials, which will include the Proxy Statement, the 2009 Annual Report and a proxy card or voting-instruction card, as well as instructions on how to vote either at the Annual Meeting, via the Internet by telephone or by mail.

Those stockholders who receive a paper proxy card and voting instructions by mail, and who elect to vote by mail, should complete, sign and return the proxy card in the prepaid and addressed envelope that was enclosed with the proxy materials, and the shares will be voted at the Annual Meeting in the manner directed. If you complete, sign and return your proxy card, it will be voted as you direct. If no choice is specified on a signed proxy card, the persons named as proxies will vote as follows:

**FOR** the election of each of Andrew Ruhan, Arthur P. Becker, James Denny, Thomas R. Evans and Larry Schwartz to the Board of Directors;

**FOR** the approval of the ESPP Proposal;

**FOR** the ratification of the appointment of KPMG LLP as the Company's independent registered public accounting firm for the fiscal year ending July 31, 2010; and

Edgar Filing: NAVISITE INC - Form DEF 14A

In their discretion as to any other matter that may be properly brought before the Annual Meeting or any adjournments thereof.

If the shares that you own are held in street name by a bank, broker or other nominee, that person, as the record holder of your shares, is required to vote your shares according to your instructions. Your bank, broker or other nominee will send you directions on how to vote those shares. Under applicable stock-exchange rules, if you do not give instructions to your bank, broker or other nominee, it will still be able to

vote your shares with respect to certain discretionary items but will not be allowed to vote your shares with respect to certain non-discretionary items. In the case of non-discretionary items, the shares that do not receive voting instructions will be treated as broker non-votes, the effect of which is discussed above in the section entitled *Record Date, Voting Securities and Votes Required*.

### **Discretionary Items**

Proposal No. 1 Election of Directors  
Proposal No. 3 Ratification of KPMG LLP as the  
Company's independent registered public accounting  
firm

### **Non-Discretionary Items**

Proposal No. 2 ESPP Proposal

If you are a stockholder as of the Record Date and attend the meeting, you may personally deliver your completed proxy card or vote in person at the meeting.

### **Revocability of Proxy**

You may revoke your proxy at any time before it is voted at the Annual Meeting by:

notifying NaviSite's Secretary in writing at the principal executive offices of NaviSite located at 400 Minuteman Road, Andover, Massachusetts 01810, Attention: Secretary, before the Annual Meeting that you have revoked your proxy; or

attending the Annual Meeting and voting in person at the Annual Meeting.

If you plan to attend the Annual Meeting and wish to vote in person, we will give you a ballot at the meeting. However, if your shares are held in the name of your broker, bank or other nominee, you must bring a proxy from your nominee authorizing you to vote your street name shares held as of the Record Date.

### **Householding of Annual Meeting Materials**

Some banks, brokers and other nominee record holders may participate in the practice of householding proxy statements, annual reports and notices of Internet availability of proxy materials. This means that only one copy of our Proxy Statement, 2009 Annual Report or notice of Internet availability of proxy materials may have been sent to multiple stockholders in your household. We will promptly deliver a separate copy of the notice of Internet availability of proxy materials and, if applicable, a separate copy of the Proxy Statement and 2009 Annual Report to any beneficial owner at a shared address to which a single copy of any of those documents was delivered if you write or call us at the following address or telephone number: Investor Relations Department, NaviSite, Inc., 400 Minuteman Road, Andover, Massachusetts 01810, telephone: (978) 682-8300. If you want to receive separate copies of the Proxy Statement, 2009 Annual Report or notice of Internet availability of proxy materials 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 NaviSite at the above address and telephone number.

### **Security Ownership of Certain Beneficial Owners and Management**

The following table sets forth certain information as of September 30, 2009 (unless otherwise indicated), with respect to the beneficial ownership of Common Stock and Preferred Stock by the following:

each person known by NaviSite to beneficially own more than 5% of the outstanding shares of Common Stock or Preferred Stock;

each of the members of the Board of Directors;

our chief executive officer, our chief financial officer and our three other most highly compensated executive officers (together, the **Named Executive Officers** ); and

all of the current executive officers and members of the Board of Directors as a group.

For purposes of the following table, beneficial ownership is determined in accordance with the rules promulgated by the Securities and Exchange Commission (the **SEC**), and the information is not necessarily indicative of beneficial ownership for any other purpose. Except as otherwise noted in the footnotes to the table, we believe that each person or entity named in the table has sole voting and investment power with respect to all shares of Common Stock and Preferred Stock shown as beneficially owned by them (or shares such power with his or her spouse). Under such rules, any shares of Common Stock that a person has the right to acquire within 60 days after September 30, 2009, through the exercise of any options ( **Presently Exercisable Options** ), warrants ( **Presently Exercisable Warrants** ), or other rights are deemed outstanding, included in the number of shares beneficially owned by a person named in the table and used to compute the percentage ownership of that person. These shares are not, however, deemed outstanding for computing the percentage ownership of any other person or entity. Unless otherwise indicated, the address of each person listed in the table is c/o NaviSite, Inc., 400 Minuteman Road, Andover, Massachusetts 01810.

The percentage ownership of Common Stock of each person or entity named in the following table is based on 37,098,085 shares of Common Stock outstanding as of September 30, 2009, plus any shares subject to Presently Exercisable Options, shares subject to Presently Exercisable Warrants and shares of Preferred Stock currently convertible into shares of Common Stock held by such person. The percentage ownership of Preferred Stock of each person or entity named in the following table is based on 3,774,381 shares of Preferred Stock outstanding as of September 30, 2009.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership		Percentage of	
	Number of Common Shares	Percentage of Common Stock	Number of Preferred Shares	Preferred Stock
<b>5% Stockholders</b>				
Atlantic Investors, LLC 654 Madison Avenue, Suite 1909 New York, NY 10065	13,841,028(1)	37.3%		
Janus Capital Management LLC, Janus Venture Fund 151 Detroit Street Denver, CO 80206	4,268,324(2)	11.5%		
Silver Point Capital Fund, L.P., Silver Point Capital Offshore Fund, Ltd. c/o Silver Point Capital, L.P. Two Greenwich Plaza, 1st Floor Greenwich, CT 06830	2,081,631(3)	5.4%		
netASPx Holdings, Inc. c/o GTCR Golder Rauner, LLC 6100 Sears Tower Chicago, IL 60606	3,476,669(4)	8.6%	3,476,669(5)	92.1%
<b>Directors and Named Executive Officers</b>				
Andrew Ruhan	111,500(6)	*		
Arthur P. Becker	1,759,786(7)	4.6%		

Edgar Filing: NAVISITE INC - Form DEF 14A

James Denedy	146,500(8)	*
Thomas R. Evans	176,500(9)	*
Larry Schwartz	146,500(8)	*
James W. Pluntze	476,375(10)	1.3%
Mark Clayman	409,583(11)	1.1%
Sumeet Sabharwal	327,583(12)	*
Rathin Sinha	125,000(13)	*
All current executive officers and directors as a group (12 persons)	4,446,156(14)	11.2%

\* Less than 1%.

- (1) Based on information provided by Atlantic Investors, LLC, in its Amendment No. 10 to Schedule 13D dated June 18, 2008, filed with the SEC. Atlantic Investors, LLC, is controlled by two managing members, Unicorn Worldwide Holdings Limited and Madison Technology LLC. Unicorn Worldwide Holdings Limited is jointly controlled by its board members, Simon Cooper and Simon McNally. Mr. Becker is the managing member of Madison Technology LLC. Messrs. Cooper and McNally, for Unicorn Worldwide Holdings Limited, and Mr. Becker, for Madison Technology LLC, share voting and investment power over the securities held by Atlantic Investors, LLC. Mr. Ruhan holds a 10% equity interest in Unicorn Worldwide Holdings Limited, a managing member of Atlantic Investors, LLC. Atlantic Investors, LLC, has informed us that the 13,841,028 shares of our Common Stock that it currently holds are the only shares of our Common Stock currently held by them. Atlantic Investors, LLC, in managing its liquidity requirements from time to time, may pledge shares of our Common Stock as collateral to lenders; these arrangements are generally structured to preserve for Atlantic Investors, LLC, beneficial ownership in the pledged securities.
- (2) Based solely on information provided by Janus Capital Management LLC ( **Janus Capital** ) and Janus Venture Fund ( **Janus Venture** ) in their Amendment No. 2 to Schedule 13G dated February 17, 2009, filed with the SEC. Janus Capital is a registered investment adviser, furnishing investment advice to various investment companies registered under Section 8 of the Investment Company Act of 1940 and to individual and institutional clients (collectively, the **Managed Portfolios** ). As a result of its role as investment adviser or sub-adviser to the Managed Portfolios, Janus Capital may be deemed to be the beneficial owner of 4,268,324 shares of our Common Stock held by such Managed Portfolios. However, Janus Capital does not have the right to receive any dividends from, or the proceeds from the sale of, the securities held in the Managed Portfolios and disclaims any ownership associated with such rights. Janus Venture is an investment company registered under Section 8 of the Investment Company Act of 1940 and is one of the Managed Portfolios to which Janus Capital provides investment advice. Janus Capital has sole dispositive and voting power with respect to such shares. Janus Venture has sole dispositive and voting power with respect to 3,704,519 shares.
- (3) Based solely on information provided by Silver Point Capital, L.P. ( **Silver Point** ), Mr. Edward Mule and Mr. Robert O Shea in their Amendment No. 1 to Schedule 13G dated February 17, 2009, filed with the SEC. Includes 1,200,131 shares of our Common Stock issuable upon exercise of Presently Exercisable Warrants. Silver Point is the investment manager of Silver Point Capital Fund, L.P. (the **Fund** ), and Silver Point Capital Offshore Fund, Ltd. (the **Offshore Fund** ). Silver Point Capital Management, LLC ( **Management** ), is the general partner of Silver Point. Each of Mr. Edward Mule and Mr. Robert O Shea is a member of Management and has voting and investment power with respect to the shares of our Common Stock held by the Fund and the Offshore Fund. Silver Point, Management and Messrs. Mule and O Shea may each be deemed to be a beneficial owner of the shares of our Common Stock held by the Fund and the Offshore Fund. Silver Point has sole dispositive power with respect to such shares and sole voting power with respect to 881,500 shares. Messrs. Mule and O Shea have shared dispositive power with respect to such shares and shared voting power with respect to 881,500 shares.
- (4) Consists of shares of Preferred Stock that are currently convertible into shares of our Common Stock on a one-for-one basis. As of the date of this Proxy Statement, no shares of Preferred Stock had been converted into shares of our Common Stock and netASPx Holdings, Inc. will therefore vote only with respect to the 3,476,669 shares of Preferred Stock. However, they may be deemed to be the beneficial owner of 3,476,669 shares of our Common Stock. See footnote (5) below for additional information.
- (5) netASPx Holdings, Inc., is owned by GTCR Fund VI, LP; GTCR VI Executive Fund, LP; and GTCR Associates VI, LP. GTCR Partners VI LP is the General Partner of the three aforementioned funds. The General Partner of GTCR Partners VI, LP, is GTCR Golder Rauner, LLC.

- (6) Includes 80,000 shares of our Common Stock issuable upon the exercise of Presently Exercisable Options. Excludes 13,841,028 shares of our Common Stock owned by Atlantic Investors, LLC, and 426,134 shares of our Common Stock owned by Global Unicorn Worldwide Holdings S.A.R.L., a wholly owned subsidiary of Unicorn Worldwide Holdings Limited, with respect to all of which Mr. Ruhan disclaims beneficial ownership. Mr. Ruhan holds a 10% equity interest in Unicorn Worldwide Holdings Limited, a managing member of Atlantic Investors, LLC.

- (7) Includes 213,067 shares of our Common Stock owned by Madison Technology LLC and 1,103,125 shares of our Common Stock issuable upon the exercise of Presently Exercisable Options. Mr. Becker disclaims personal pecuniary interest in 60,000 shares of our Common Stock held by Madison Technology LLC for the benefit of his children. Excludes 13,841,028 shares of our Common Stock owned by Atlantic Investors, LLC, with respect to which Mr. Becker disclaims beneficial ownership. Mr. Becker is the managing member of Madison Technology LLC, a managing member of Atlantic Investors, LLC.
- (8) Includes 115,000 shares of our Common Stock issuable upon the exercise of Presently Exercisable Options.
- (9) Includes 95,000 shares of our Common Stock issuable upon the exercise of Presently Exercisable Options.
- (10) Includes 268,125 shares of our Common Stock issuable upon the exercise of Presently Exercisable Options.
- (11) Includes 289,583 shares of our Common Stock issuable upon the exercise of Presently Exercisable Options.
- (12) Includes 249,583 shares of our Common Stock issuable upon the exercise of Presently Exercisable Options.
- (13) Includes 75,000 shares of our Common Stock issuable upon the exercise of Presently Exercisable Options.
- (14) Includes 213,067 shares of our Common Stock owned by Madison Technology LLC and 2,614,999 shares of our Common Stock issuable upon the exercise of Presently Exercisable Options. Excludes 13,841,028 shares of our Common Stock owned by Atlantic Investors, LLC, with respect to which Messrs. Ruhan and Becker disclaim beneficial ownership, and 426,134 shares of our Common Stock owned by Global Unicorn Worldwide Holdings S.A.R.L. with respect to which Mr. Ruhan disclaims beneficial ownership.

## **PROPOSAL NO. 1**

### **Election of Directors**

Pursuant to NaviSite's amended and restated by-Laws (the **Bylaws**), all of the directors may be elected at each annual meeting of stockholders and hold office until his or her successor has been elected and qualified or until his or her earlier death, resignation or removal. The Bylaws further provide that the number of directors shall be determined from time to time by resolution of the Board of Directors or by the holders of shares representing a majority of the votes entitled to be cast by all stockholders in any annual election of directors.

The Board of Directors currently has five members. The current members of the Board of Directors are Messrs. Andrew Ruhan, Arthur P. Becker, James Denny, Thomas R. Evans and Larry Schwartz.

The Board of Directors proposes and recommends that the five nominees named below be re-elected to serve as members of the Board of Directors of NaviSite. The persons named as proxies will vote to re-elect the five nominees named below as members of the Board of Directors of NaviSite unless the proxy card is marked otherwise. Each nominee is presently serving as a member of the Board of Directors, has consented to being named in this Proxy Statement and has indicated his willingness to serve if elected. If for any reason any nominee should become unable or unwilling to serve, the persons named as proxies may vote the proxy for the election of a substitute nominee. The members of the Board of Directors have no reason to believe that any nominee will be unable to serve.

Biographical and certain other information concerning NaviSite's nominees for re-election to the Board of Directors, each of whom is presently serving as a member of the Board of Directors, is set forth below. Information with respect

to the number of shares of Common Stock beneficially owned by each director, as of September 30, 2009, appears above in the section entitled *Security Ownership of Certain Beneficial Owners*

*and Management.* No director or executive officer is related by blood, marriage or adoption to any other director or executive officer.

### **Nominees for Election to the Board of Directors**

*Andrew Ruhan*, age 47, has served as the chairman of the Board of NaviSite since September 2002. Mr. Ruhan is also a managing director of Bridgehouse Capital, a London-based private-equity investment-advisory firm. From 2000 to 2003 Mr. Ruhan served as the chief executive officer of ClearBlue Technologies, Inc. ( **CBT** ), a managed-service provider and a predecessor-in-interest to Atlantic Investors, LLC, a holder of approximately 37% of the outstanding shares of Common Stock as of the Record Date.

*Arthur P. Becker*, age 59, has served as a director of NaviSite since September 2002 and its chief executive officer and president since February 2003. From 2000 to 2003 Mr. Becker served as vice chairman and a director of CBT, a predecessor-in-interest to Atlantic Investors, LLC. Mr. Becker is also a co-founder of Atlantic Investors, LLC, a holder of approximately 37% of the outstanding shares of Common Stock as of the Record Date. Since 1999 Mr. Becker has been the managing member of Madison Technology LLC, an investment fund that focuses on technology and telecommunications companies. Madison Technology LLC is a managing member of Atlantic Investors, LLC.

*James Denny*, age 44, has served as a director of NaviSite since January 2003. Since April 2008, Mr. Denny has been a principal and the chief investment officer of Arcadia Capital Advisors, LLC, a capital-management and advisory-services company. From September 2007 until April 2008, Mr. Denny was the managing partner of Hamilton-Madison Group, LLC, a capital management and corporate development company. From November 2004 until August 2007, Mr. Denny was the president and chief executive officer of Engyro Corporation, an enterprise-systems and network-management company. From September 2003 until November 2004, Mr. Denny served as a managing partner of Mitchell-Wright, LLC, a technology buy-out and investment company. Mr. Denny is also a director of Agilysys, Inc.

*Thomas R. Evans*, age 55, has served as a director of NaviSite since October 2003. Since June 2004 Mr. Evans has been the chief executive officer and president of Bankrate, Inc., an Internet-based consumer-banking marketplace. Mr. Evans also serves on the board of directors of Bankrate, Inc. From September 2002 to June 2004, Mr. Evans was a private investor and consultant. Mr. Evans is also a director of Future Fuel Corp.

*Larry Schwartz*, age 46, has served as a director of NaviSite since May 2003. Since 2004 Mr. Schwartz has been a managing director of The Wenham Group, a private-equity investment advisory firm. Prior to 2004, Mr. Schwartz was a senior vice president of Genuity Inc. Mr. Schwartz joined Genuity Inc. in 2000.

**The Board of Directors recommends a vote FOR the re-election of the above-named nominees as directors of NaviSite.**

### **PROPOSAL NO. 2**

**Amendment of NaviSite's Amended and Restated 1999 Employee Stock Purchase Plan to increase the number of shares reserved for issuance thereunder.**

#### **General**

The ESPP was adopted by the Board of Directors and approved by our stockholders in October 1999. A total of 6,666 shares of our Common Stock were initially reserved for issuance thereunder. An amendment to increase the

number of shares reserved for issuance under the ESPP to 16,666 shares of our Common Stock was adopted by the Board on October 1, 2000, and approved by the stockholders on December 20, 2000, and an additional amendment to increase the number of shares of our Common Stock reserved for issuance under the ESPP to 516,666 was adopted by the Board on November 8, 2007, and approved by our stockholders on December 12, 2007. As of September 30, 2009, 516,632 of the shares reserved for issuance under the ESPP

(without giving effect to the proposed amendment) had been issued, leaving only 34 shares reserved for issuance under the ESPP.

The Board of Directors believes that it is in our best interest to provide employees with an opportunity to purchase our Common Stock through payroll deductions. Accordingly, on July 2, 2009, the Board approved, subject to stockholder approval, an amendment of the ESPP to increase the number of shares reserved for issuance under the ESPP from 516,666 shares, as adjusted, to 1,116,666 shares (subject to adjustment for certain changes in NaviSite's capitalization). If this proposal is not approved, the current offering period will terminate and no additional shares will be issued under the ESPP.

### **Summary of the ESPP**

The following summary of the ESPP is qualified in its entirety by reference to the full text of the ESPP, a copy of which is attached as Appendix I to the electronic copy of this Proxy Statement filed with the SEC and may be accessed from the SEC's home page ([www.sec.gov](http://www.sec.gov)). In addition, a copy of the ESPP may be obtained by making a written request to our general counsel.

### **Purpose**

The purpose of the ESPP is to provide those employees of NaviSite and of any majority-owned subsidiaries designated by the Board who participate in the ESPP with an opportunity to purchase our Common Stock through payroll deductions.

### **Administration**

The ESPP is currently being administered by the Governance, Nominating and Compensation Committee (the **GNC Committee**) of the Board of Directors. All questions of interpretation or application of the ESPP are determined in the sole discretion of the Board or the GNC Committee, and its decisions are final and binding upon all participants. Members of the Board who are eligible employees are permitted to participate in the ESPP but may not vote on any matter affecting the administration of the ESPP or the grant of any option pursuant to the ESPP. No member of the Board who is eligible to participate in the ESPP may be a member of the committee appointed to administer the ESPP. No charges for administrative or other costs may be made against the payroll deductions of a participant in the ESPP. Members of the Board receive no additional compensation for their services in connection with the administration of the ESPP.

### **Eligibility; Participation**

Any person who is employed by us (or by any subsidiary designated by the Board of Directors) (a) for at least 20 hours per week and for more than five months in a calendar year, (b) for at least six months prior to enrolling in the Plan and (c) on the first day of a Plan Period (as defined below) is eligible to participate in the ESPP, so long as that person does not beneficially own greater than 5% of the issued and outstanding Common Stock. As of September 30, 2009, approximately 535 employees were eligible to participate in the ESPP.

Eligible employees become participants in the ESPP by completing and delivering a payroll-deduction authorization. An employee who becomes eligible to participate in the ESPP after the commencement of an offering period may not participate in the ESPP until the commencement of the next offering period.

### **Offerings**

The ESPP was originally implemented by consecutive three-month offering periods. The initial offering period began on October 22, 1999, and ended on February 29, 2000. Each subsequent offering period commenced on the date immediately following the end of the preceding offering period and ended on the last day of the third full month thereafter. Each such period is referred to as a Plan Period. In 2007 the ESPP was amended to change each Plan Period from three to six months so that there would be two Plan Periods per year. The first Plan Period begins on January 1 and ends on June 30 each year, and the second Plan Period begins on July 1 and ends on December 31 each year. The Board of Directors has the power to alter the

duration of a Plan Period without stockholder approval if such change is announced before the scheduled beginning of the first offering period to be affected.

### **Purchase Price**

The purchase price per share at which shares are purchased under the ESPP is the lower of 85% of the fair market value of a share of our Common Stock on (a) the first day of business of a Plan Period or (b) the last business day of the Plan Period. The fair market value of our Common Stock on a given date is equal to its closing price on the Nasdaq Capital Market on such date.

### **Payment of Purchase Price; Payroll Deductions**

ESPP shares are purchased with funds that are accumulated through payroll deductions during the offering period. The deductions may not exceed 10% of a participant's eligible compensation, as that term is defined in the ESPP. A participant may increase, decrease or discontinue payroll deductions once during a Plan Period.

All payroll deductions are credited to the participant's account under the ESPP, but no interest accrues on the payroll deductions. We may use any or all payroll deductions that we receive or hold for any corporate purpose and need not segregate them.

### **Purchase of Stock; Exercise of Option**

At the beginning of each Plan Period, each participating employee is in effect granted an option to purchase shares of Common Stock. The maximum number of shares that such participant may buy in an offering period is determined by dividing \$12,500 by the closing price of our Common Stock on the first day of such Plan Period.

### **Withdrawal**

A participant may terminate his or her participation in the ESPP at any time before the end of a Plan Period. Promptly after we receive his or her notice of withdrawal, his or her participation in the current offering period will be automatically terminated, and we will pay the participant's accumulated payroll deductions to the participant. No resumption of payroll deductions will occur on behalf of such participant unless such participant re-enrolls in the ESPP during the applicable open-enrollment period preceding the commencement of a subsequent offering period. A participant's withdrawal from the ESPP during an offering period does not have any effect upon such participant's eligibility to participate in subsequent offering periods under the ESPP.

### **Termination of Employment**

Termination of a participant's employment for any reason, including retirement or death, cancels his or her participation in the ESPP immediately. In such event, we will return the payroll deductions credited to the participant's account to such participant or, in the case of death, to the person or persons designated in the subscription agreement.

### **Capital Changes**

If any change is made in our capitalization, such as stock splits or stock dividends, that results in an increase or decrease in the number of shares of our Common Stock outstanding without receipt of consideration by us, appropriate adjustments will be made in the number of shares subject to purchase and in the purchase price per share, subject to any required action by our stockholders. In the event of the proposed sale of all or substantially all of our assets or the merger of us with or into another entity, (a) each holder of outstanding options would be entitled, upon

exercise of the option, to receive, in lieu of shares of our Common Stock, rights to the consideration received by holders of our Common Stock pursuant to the terms of such transaction, or (b) the Board of Directors or its committee could (1) cancel all outstanding options as of a date prior to the effective date of any such transaction and have all payroll deductions paid out to participating employees or (2) cancel all outstanding options as of the effective date of any such transaction, provided that,

in the case of clause (b), (x) we give notice of such cancellation to each holder of an option and (y) each holder of an option has the right to exercise such option in full based on payroll deductions then credited to his or her account as of a date determined by the Board or its committee, which date may not be less than 10 days before the effective date of such transaction.

### **Amendment and Termination of the ESPP**

The Board of Directors may at any time amend or terminate the ESPP. The Board may terminate an offering period on any purchase date if it determines that the termination of the offering period or the ESPP is in the best interests of us and our stockholders. No amendment may be made to the ESPP without prior approval of our stockholders where such approval is necessary to comply with Section 423 of the Internal Revenue Code of 1986, as amended (the **Code**) (i.e., if such amendment would increase the number of shares reserved under the ESPP or modify the eligibility requirements), and in no event may any amendment be made that would cause the ESPP to fail to comply with Section 423 of the Code.

### **Certain Federal Income Tax Information**

The ESPP, and the right of participants to make purchases thereunder, is intended to qualify under the provisions of Sections 421 and 423 of the Code. Under these provisions no income is taxable to a participant at the time of grant of the option or purchase of shares. Upon disposition of the shares, the participant will generally be subject to tax, the amount of which depends on the holding period. If the participant has held the shares for more than two years after the offering date and more than one year after the purchase date, the excess of the fair market value of the shares at the time of such disposition over the purchase price will be treated as capital gain. If the participant disposes of the shares before these holding periods expire, the excess of the fair market value of the shares on the purchase date over the purchase price will be treated as ordinary income, and any further gain or any loss on such disposition will be long-term or short-term capital gain or loss, depending on the holding period. We are not entitled to a deduction for amounts taxed as ordinary income or capital gain to a participant, except to the extent of ordinary income reported by participants upon disposition of shares before the expiration of the two holding periods described above.

The foregoing is only a summary of the effect of federal income taxation on the participant and us with respect to the purchase of shares under the ESPP, is not intended to be complete and does not discuss the income tax laws of any municipality, state or foreign country.

### **Participation in the ESPP**

Participation in the ESPP is voluntary and dependent on each eligible employee's election to participate and his or her determination as to the level of payroll deductions. Accordingly, future purchases under the ESPP are not determinable. Non-employee directors are not eligible to participate in the ESPP.

### **New Plan Benefits**

The benefits to be received by our executive officers, non-employee directors and employees as a result of the proposed amendment to the ESPP are not determinable, since the amounts of future purchases by participants are based on elective participant contributions. No purchase rights have been granted to any of our executive officers, other than Sumeet Sabharwal, or non-employee directors with respect to the 600,000 share increase for which stockholder approval is sought under this proposal. Purchase rights have been granted to Mr. Sabharwal and our employees (other than executive officers) with respect to the 600,000 share increase for which stockholder approval is sought under this pro