

OLD NATIONAL BANCORP /IN/  
Form 4  
July 29, 2008

**FORM 4**

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

OMB APPROVAL

OMB Number: 3235-0287  
Expires: January 31, 2005  
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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person \*  
JONES ROBERT G

2. Issuer Name and Ticker or Trading Symbol  
OLD NATIONAL BANCORP /IN/ [ONB]

5. Relationship of Reporting Person(s) to Issuer  
(Check all applicable)

(Last) (First) (Middle)  
1100 SUWANNEE  
(Street)

3. Date of Earliest Transaction (Month/Day/Year)  
07/25/2008

Director  10% Owner  
 Officer (give title below)  Other (specify below)  
PRESIDENT AND CEO

EVANSVILLE, IN 47725  
(City) (State) (Zip)

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)  
 Form filed by One Reporting Person  
 Form filed by More than One Reporting Person

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V Amount (D) Price			
COMMON STOCK					60,715	D <sup>(2)</sup>	
COMMON STOCK					87,100	D	
COMMON STOCK	07/07/2008		L V	37.195 A \$ 13.4428	6,865.362	D	
COMMON STOCK	07/21/2008		L V	31.671 A \$ 15.7874	6,897.033	D	
COMMON STOCK					2,606.155 <sup>(5)</sup>	I	ONB KSOP

COMMON STOCK 10,000 D <sup>(6)</sup>

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

**Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.** SEC 1474 (9-02)

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned**  
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Security (Instr. 3 and 4)
EMPLOYEE STOCK OPTION	\$ 23.99					09/07/2005 <sup>(1)</sup> 09/07/2014	COMMON STOCK
EMPLOYEE STOCK OPTION	\$ 21.65					02/01/2007 <sup>(3)</sup> 02/24/2016	COMMON STOCK
EMPLOYEE STOCK OPTION	\$ 18.43					01/25/2008 <sup>(4)</sup> 01/25/2017	COMMON STOCK
EMPLOYEE STOCK OPTION	\$ 15.29					02/01/2009 <sup>(7)</sup> 01/24/2018	COMMON STOCK
PHANTOM STOCK	\$ 14.97 <sup>(9)</sup>	07/25/2008		P	100.2	<sup>(8)</sup> <sup>(8)</sup>	COMMON STOCK

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
JONES ROBERT G 1100 SUWANNEE EVANSVILLE, IN 47725	X		PRESIDENT AND CEO	

# Signatures

JEFFREY L KNIGHT, EXECUTIVE VP AND CHIEF LEGAL COUNSEL, AS  
ATTORNEY-IN-FACT

07/29/2008

\_\_Signature of Reporting Person

Date

# Explanation of Responses:

- \* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).
- \*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) Immediately exercisable.
- (2) Shares held with a broker.
- (3) Option vests in one-third annual installments beginning on 2/1/2007.
- (4) Option vests in one-third annual installments beginning on 1/25/2008.
- (5) KSOP balance updated based upon current data.
- (6) Shares held in Oltrust FBO Robert and Lisa Jones.
- (7) Option vests in one-third annual installments beginning on 1/24/2009.
- (8) Shares of phantom stock are payable in cash following termination of the reporting person's employment with ONB or reporting person becoming disabled. The reporting person may transfer his phantom stock account into an alternative investment account at any time.
- (9) Shares of phantom stock acquired under ONB's Executive Deferred Compensation Plan.
- (10) Shares updated for most recent quarterly dividend reinvestment shares.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. ny part of the year ended December 31, 2000, and (ii) the four most highly compensated executive officers of the Company at December 31, 2000 whose annual compensation and bonus exceeded \$100,000 (the "Named Officers"): LONG-TERM COMPENSATION AWARDS(2) ANNUAL COMPENSATION(1)

POSITION	YEAR	SALARY(\$)	BONUS(\$)	SARS(#)	STOCK AWARDS(\$)	----- CALENDAR -----	OPTIONS/ RESTRICTED NAME AND PRINCIPAL
Barry N. Bycoff.....	2000	\$250,000	\$250,000	0	0	Chairman, Chief Executive Officer, 1999	190,000 216,310 450,000 0
President & Director	1998	166,666	0	195,000	0	James E. Hayden.....	2000 \$170,000 \$ 98,125 0 0
Vice President of Finance and Administration, Chief Financial	1998	81,458	0	315,000	0	Officer and Treasurer	James Rosen.....
2000 \$150,000 \$ 58,763 0 0	1999	122,500	26,419	150,000	0	Business Development	1998 112,500 0 105,000 0
Deepak Taneja.....	2000	\$170,000	\$ 97,150	0	0	Vice President of Development	1999 135,000 43,020 150,000 0
1998 123,157 35,000 345,000 0	2000	\$150,000	\$118,645	0	0	Thomas Palka.....	2000 \$150,000 \$118,645 0 0
Vice President of Sales and Service	1999	150,000	63,145	150,000	0	1998 42,115 0 300,000 0	----- (1)

Excludes perquisites and other personal benefits, the aggregate annual amount of which for each officer is less than the lesser of \$50,000 or 10% of the total salary and bonus reported. (2) The Company did not grant any restricted stock awards or stock appreciation rights ("SARs") or make any long-term incentive plan payouts during the three years ended December 31, 2000. OPTION GRANTS IN THE LAST FISCAL YEAR The Company did not grant any stock options pursuant to either the Company's 1994 Stock Option Plan, 1997 Stock Option Plan or 2000 Stock Option Plan (the "Employee Option Plans") during the fiscal year ended December 31, 2000 to the Named Officers. 6 9

OPTION EXERCISES AND FISCAL YEAR-END VALUES The following table sets forth information with respect to options to purchase the Company's Common Stock granted to the Named Officers under the Company's Employee Option Plans, including (i) the number of shares purchased upon exercise of options in the most recent fiscal year, (ii) the net value realized upon such exercise, (iii) the number of unexercised options outstanding at December 31, 2000, and (iv) the value of such unexercised options at December 31, 2000: AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR AND DECEMBER 31, 2000 OPTION VALUES NUMBER OF UNEXERCISED VALUE OF UNEXERCISED OPTIONS AT IN-THE-MONEY OPTIONS AT SHARES DECEMBER 31, 2000(#)

DECEMBER 31, 2000	(1)	ACQUIRED VALUE	-----	NAME ON
EXERCISE REALIZED	(2)	EXERCISABLE	UNEXERCISABLE	EXERCISABLE
-----	-----	-----	-----	-----
				Barry N. Bycoff..... 510,000 \$24,182,400 883,650
352,800	\$43,016,965	\$6,962,814		James E. Hayden..... 142,350 7,667,958 179,850 127,800 8,204,981 2,847,569 Tom Palka..... 127,500 7,263,720 157,500 150,000 7,056,675 4,048,500 Deepak Taneja..... 211,650 11,535,610 104,850 163,500 4,263,956 4,734,717 James Rosen..... 139,950 7,725,200 139,350 148,201 6,103,600 3,924,498

----- (1) Value is based on the difference between option exercise price and the fair market value at 2000 fiscal year-end (\$54.38 per share, the closing price on the Nasdaq National Market on December 31, 2000) multiplied by the number of shares underlying the option.

**COMPENSATION OF DIRECTORS** As compensation for serving on the Board of Directors, each non-employee director is paid his expenses by the Company for each quarter during which they attend meetings. In addition, the Company's policy to compensate each non-employee director at a rate of \$1,500 for each quarter. Depending on certain eligibility requirements, each non-employee director of the Company has participated in several stock option plans, including the Company's 1991 Non-Employee Director Stock Option Plan, 1993 Non-Employee Director Stock Option Plan, 1994 Non-Employee Director Plan and 1997 Non-Employee Director Plan (together, the "Director Plans"). The Director Plans authorized grants of stock options to members of the Company's Board of Directors who are neither an employee or officer of the Company. In Fiscal 2000, 37,500 options were granted to Mr. Deninger at an exercise price equal to \$47.17 per share pursuant to the Director Plans. Messrs. Deninger, Giler, Mark and Wagner were granted options to purchase 13,875, 15,000, 15,000 and 15,000 shares, respectively, at an exercise price equal to \$30.83 per share pursuant to the Company's 2000 Stock Option Plan during Fiscal 2000.

**COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION**(1) The Company's executive compensation program is administered by the Compensation and Stock Option Committee of the Board of Directors, currently consisting of Ralph Wagner, as Chairman, Eric Giler and Michael L. Mark (the "Compensation Committee"). All members of the Compensation Committee are non-employee directors. Pursuant to the authority delegated by the Board of Directors, the Compensation Committee establishes each year the compensation of senior management, including approval of annual ----- (1) The material in this report and in the performance graph which follows is not "soliciting material," is not deemed filed with the SEC and is not to be incorporated by reference in any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

7 10 salaries and bonuses, the review and approval of bonus plans for executive officers, as well as the grant of stock options to officers, employees and consultants. One of the Company's primary business objectives is to maximize long-term stockholder returns. To achieve this objective, the Company believes it is necessary to attract, retain and motivate qualified executives in a competitive industry. The Compensation Committee and the Board of Directors therefore apply the philosophy that compensation of executive officers, specifically including that of the Chief Executive Officer and President, should be linked to revenue growth, profitability, earnings per share performance, and long-term increase in stock price and quality of earnings. Establishing compensation programs generally and determining the compensation of individual executive officers are complex matters involving numerous issues and a variety of data. The approach of the Compensation Committee is primarily subjective in nature. The Compensation Committee identifies relevant factors to be considered, such as the need to be competitive in the market for executive talent, retain and motivate existing officers with competitive salary and option programs and to provide incentives and rewards for individual and corporate performance. However, the Compensation Committee maintains a flexible approach that is based on the exercise of judgment and discretion and reflects the Company's entrepreneurial operating environment and long-term performance orientation. Precise formulas, targets or goals are not utilized and specific weights are not assigned to the various factors. The Compensation Committee focuses on the Company's goal of long-term enhancement of stockholder value by stressing long-term goals and by using stock-based incentive programs with extended vesting schedules. The Compensation Committee believes the use of such incentives to retain and motivate individuals who have developed the skills and expertise required to lead the Company is key to the Company's success. Under the supervision of the Compensation Committee, the Company has developed and implemented certain compensation policies. The Compensation Committee's executive compensation policies are designed to (i) enhance profitability of the Company and shareholder value, (ii) integrate compensation with the Company's annual and long-term performance goals, (iii) reward corporate performance, (iv) recognize individual initiative, achievement and hard work, (v) assist the Company in attracting and retaining qualified executive officers

and (vi) retain and motivate existing officers to perform. Compensation is comprised of cash compensation in the form of annual base salary and performance-based bonuses and long-term incentive compensation in the form of stock options. In setting cash compensation levels for executive officers (including the Chief Executive Officer), the Compensation Committee prepares a salary review annually. The base salaries are fixed at levels comparable to the amounts paid to senior executives with comparable qualifications, experience and responsibilities at other technology companies located in the northeastern United States with approximately the same number of employees as the Company and engaged in similar businesses to that of the Company. Nonetheless, since the Company believes that those organizations that are constituents of the Nasdaq Computer Software Index used in the performance graph on page 10 include companies which may not be similar to the Company, the Company believes it is appropriate to attempt to establish salaries consistent with those of fewer and more comparable companies, which the Company nonetheless believes are represented in the performance graph. Although the Compensation Committee reviews such information for general guidance, it does not specifically target compensation of the executive officers to compensation levels at other companies. The compensation for Barry N. Bycoff, the Chief Executive Officer and President of the Company, is designed to reward performance that enhances shareholder value. Financial goals are based on the achievement of significant increases in net income as specified in the Company's annual operating plan. The plan establishes milestones for revenue growth and operating expenses. The cash compensation package is comprised of base pay, which is not related to the performance of the Company, and with an opportunity for a bonus based on the achievement of certain profitability milestones. Both components are affected by the Company's revenue growth, market share growth, profitability, quality of earnings and growth in earnings per share. Mr. Bycoff's annual bonus of \$250,000, for the fiscal year ended December 31, 2000, was based upon the achievement by the Company of pre-determined targets set for the fiscal year and Mr. Bycoff's role in achieving those targets. 8 11 The compensation program for the remaining members of the executive group is based upon the attainment of objectives for profitability similar to the Chief Executive Officer. Bonus amounts are predicated upon improvement in Company operating performance as well as attainment of planned objectives. In the past, the Chief Executive Officer and President has made recommendations to the Compensation Committee regarding the planned objectives and executive compensation levels. For fiscal year ended December 31, 2000, bonuses were paid to executive officers based on the achievement of certain objectives and on the Compensation Committee's qualitative assessment of performance. The overall plans and operating performance levels upon which management compensation is based are approved by the Compensation Committee on an annual basis. The Compensation Committee relies on incentive compensation in the form of performance-based bonuses and stock options to retain and motivate executive officers. Incentive compensation in the form of performance-based bonuses for the Chief Executive Officer and the Company's other executive officers is based upon management's success in meeting the Company's financial and strategic goals. The plan establishes milestones for revenue growth and operating expenses. Strategic goals focus on increasing market share and Company growth and improving the Company's strategic position in the market and the quality of earnings. Incentive compensation in the form of stock options is designed to provide long-term incentives to executive officers and other employees, to encourage the executive officers and other employees to remain with the Company and to enable optionees to develop and maintain a significant, long-term stock ownership position in the Company's Common Stock, which in turn motivates the recipient to focus on long-term enhancement in stockholder value. The Company's 2000 Stock Option Plan, administered by the Compensation Committee, is the vehicle for the granting of stock options. Factors reviewed by the Compensation Committee in determining whether to grant options are similar to those considered in determining salaries and bonuses described above. Several other factors, however, such as an employee's individual initiative, achievement and performance are also considered by the Compensation Committee. In making specific grants to executives, the Compensation Committee evaluates each officer's total equity compensation package. The Compensation Committee generally reviews the option holdings of each of the executive officers including vesting and exercise price and the then current value of such unvested options. The Compensation Committee considers equity compensation to be an integral part of a competitive executive compensation package, a way to reinforce the individual's commitment to the Company and an important mechanism to align the interests of management with those of the Company's stockholders. The Compensation Committee determined not to grant any options to the named officers during the year ended December 31, 2000. The Compensation Committee is satisfied that the executive officers of the Company are dedicated to achieving significant improvements in the long-term financial performance of the Company and that the compensation policies and programs implemented and

administered have contributed and will continue to contribute towards achieving this goal. This report has been submitted by the members of the Compensation Committee: Ralph B. Wagner, as Chairman, Eric Giler and Michael L. Mark. 9 12 PERFORMANCE GRAPH The following graph illustrates a five year comparison of cumulative total stockholder return among the Company, the University of Chicago's Center for Research in Security Prices ("CRSP") Index for the Nasdaq Stock Market and the CRSP Index for the Nasdaq Computer Software Industry Index. The comparison assumes \$100 was invested on December 31, 1992 in the Company's Common Stock and in each of the foregoing indices and assumes reinvestment of dividends, if any. [PERFORMANCE GRAPH] NASDAQ STOCKS (SIC NASDAQ STOCK MARKET (US 7300-7399 US COMPANIES) NETEGRITY, INC. COMPANIES) BUSINESS SERVICES ----- Dec 95 100.0 100.0 100.0 Dec 96 110.7

123.0 125.0 Dec 97 75.0 150.7 150.5 Dec 98 246.4 212.5 271.6 Dec 99 3253.6 394.8 613.8 Dec 00 4660.7 237.4

258.1 NOTES: A. The lines represent monthly index levels derived from compounded daily returns that include all dividends. B. The indexes are reweighted daily, using the market capitalization on the previous trading day. C. If the monthly interval, based in the fiscal year-end, is not a trading day, the preceding trading day is used. D. The index level for all series was set to \$100.0 on 12/29/1995.

PROPOSAL TO INCREASE THE SHARES RESERVED FOR ISSUANCE UNDER THE 2000 STOCK INCENTIVE PLAN TO 5,300,000 SHARES There will be presented at the meeting a proposal to approve an amendment of the Company's 2000 Stock Incentive Plan (the "2000 Plan") which amendment was approved by the Board of Directors on April 9, 2001, whereby the number of shares reserved for issuance under the 2000 Plan was increased from 3,000,000 shares of Common Stock to 5,300,000 shares of Common Stock. At February 28, 2001, options for the purchase of 2,527,613 shares of Common Stock were outstanding under the 2000 Plan. 10 13 THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE PROPOSED INCREASE IN SHARES RESERVED FOR ISSUANCE UNDER THE 2000 PLAN TO 5,300,000 SHARES

PROPOSAL TO INCREASE AUTOMATICALLY ON AN ANNUAL BASIS THE SHARES RESERVED FOR ISSUANCE UNDER THE 2000 STOCK INCENTIVE PLAN There will be presented at the meeting a proposal to approve an amendment to the 2000 Plan, which amendment was approved by the Board of Directors on April 9, 2001, whereby the number of shares reserved for issuance under the 2000 Plan would increase automatically on an annual basis. Effective January 1, 2002 and each January 1 thereafter during the term of the 2000 Plan, the maximum number of shares of Common Stock available for grants of stock options made after such January 1 under the 2000 Plan shall be increased automatically to an amount equal to 4.5% of the total number of issued and outstanding shares of Common Stock (including shares held in treasury) as of the close of business on December 31 of the preceding year, such additional amount being subject to downward adjustment by the Board of Directors. Notwithstanding the foregoing, the maximum cumulative number of shares of Common Stock available for grants of Incentive Stock Options under the 2000 Plan shall be 5,300,000. THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE PROPOSAL TO INCREASE AUTOMATICALLY ON AN ANNUAL BASIS THE SHARES RESERVED FOR ISSUANCE UNDER THE 2000 PLAN THE 2000 STOCK INCENTIVE PLAN Set forth below is a summary of the principal provisions of the 2000 Plan, a copy of which may be obtained from the Secretary of the Company. GENERAL The 2000 Plan is intended to attract and retain key employees, directors and consultants of the Company, to provide an incentive for them to achieve long-range performance goals and to enable them to participate in the long-term growth of the Company. Under the 2000 Plan, incentive stock options may be granted to employees and officers of the Company or any subsidiary and non-qualified stock options may be granted to employees, officers, directors and consultants of the Company or any subsidiary. The shares issued pursuant to the 2000 Plan shall be either shares of the company's authorized but unissued Common Stock or shares of Common Stock reacquired by the Company and held as treasury shares. The number of shares issuable under the 2000 Plan is subject to appropriate adjustment in the event of a stock split, a subdivision or consolidation of shares of Common Stock, capital adjustments or payments of stock dividends or distributions or other increases or decreases in the outstanding shares of Common Stock effected without receipt of consideration by the Company. ADMINISTRATION The 2000 Plan is administered by the Compensation Committee of the Board of Directors, subject to the supervision and control of the entire Board. The members of the Compensation Committee are appointed by the Board of Directors, and the Board may from time to time appoint a member or members of the Compensation Committee in substitution for or in addition to the member or members then in office and may fill vacancies on the Compensation Committee however caused. The present members of the Compensation Committee are Messrs. Wagner, Giler and Mark. ELIGIBILITY Subject to the provisions of the 2000 Plan, the Compensation Committee has the authority to select optionees and to

ADMINISTRATION The 2000 Plan is administered by the Compensation Committee of the Board of Directors, subject to the supervision and control of the entire Board. The members of the Compensation Committee are appointed by the Board of Directors, and the Board may from time to time appoint a member or members of the Compensation Committee in substitution for or in addition to the member or members then in office and may fill vacancies on the Compensation Committee however caused. The present members of the Compensation Committee are Messrs. Wagner, Giler and Mark. ELIGIBILITY Subject to the provisions of the 2000 Plan, the Compensation Committee has the authority to select optionees and to

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determine the terms of the options granted, including (i) the number of shares subject to each option, (ii) when the option becomes exercisable, (iii) the exercise price of the option, (iv) the duration of the option (which in the case of an incentive stock option granted to employees or officers holding 10% or more of the voting stock of the Company cannot be in excess of five years), and (v) the time, manner and form of payment upon exercise of an option. 11 14 In determining the eligibility of an individual to be granted an option, as well as in determining the number of shares to be optioned to any individual, the Compensation Committee takes into account the position and responsibilities of the individual being considered, the nature and value to the Company or its subsidiaries of the individual's service and accomplishments, his or her present and potential contribution to the success of the Company or its subsidiaries, and such other factors as the Compensation Committee deems relevant. TERMS OF OPTIONS Options granted under the 2000 Plan are exercisable at such times and during such period as is set forth in the option agreement, but cannot have a term in excess of seven years from the date of grant. The Compensation Committee is entitled to accelerate the date of exercise of any installment of any option, except that without the consent of the optionee, the Compensation Committee shall not accelerate the exercise date of any installment of any incentive stock option if such acceleration would violate the annual vesting limitation contained in Section 422(d) of the Internal Revenue Code of 1986, as amended (the "Code"). The option agreement may contain such provisions and conditions as may be determined by the Compensation Committee. The option exercise price for options designated as non-qualified stock options granted under the 2000 Plan is determined by the Compensation Committee, but in no event shall such exercise price be less than fair market value of the Common Stock of the Company at the time the option is granted. The option exercise price for incentive stock options granted under the 2000 Plan shall be no less than fair market value of the Common Stock of the Company at the time the option is granted and no less than 110% of the fair market value in the case of employees or officers holding 10% or more of the voting stock of the Company. Options granted under the 2000 Plan may provide for the payment of the exercise price by delivery of cash or a check payable to the Company or shares of Common Stock of the Company owned by the optionee having a fair market value equal in amount to the exercise price of the options being exercised, or any combination thereof. The maximum number of shares of Common Stock with respect to which an option or options may be granted to any employee in any one calendar year cannot exceed 750,000 shares. An option is not transferable by the optionee except by will or by the laws of descent and distribution; provided, however, that the Compensation Committee may permit the further transferability on a general or specific basis. Options are exercisable only while the optionee remains in the employ of the Company or for a limited period of time thereafter. TERMINATION OR AMENDMENT OF THE 2000 PLAN Unless sooner terminated, the 2000 Plan shall terminate on January 3, 2010, ten years from the date on which the 2000 Plan was adopted by the Board of Directors of the Company. The Board of Directors may at any time terminate the 2000 Plan or make such modification or amendment as it deems advisable; provided, however, that the Board of Directors may not, without stockholder approval, increase the maximum number of shares for which options may be granted or change the designation of the class of persons eligible to receive options under the 2000 Plan or make any other change in the 2000 Plan which requires stockholder approval under applicable law or regulations. The Compensation Committee may terminate, amend or modify any outstanding option without the consent of the option holder, provided however that, without the consent of the optionee, the Compensation Committee shall not change the number of shares subject to an option, or the exercise price or term thereof. RECAPITALIZATION, REORGANIZATION AND OTHER EVENTS The 2000 Plan provides that the number and kind of shares as to which options may be granted thereunder and as to which outstanding options then unexercised shall be exercisable shall be adjusted to prevent dilution in the event of any reorganization or recapitalization (other than as the result of an Acquisition, as such term is hereinafter defined), reclassification, stock subdivision, combination of shares or dividends payable in capital stock. If the Company is to be consolidated with or acquired by another entity in a merger or in a sale of all or substantially all of the Company's assets or otherwise (an "Acquisition"), the Compensation Committee or the Board of Directors of any entity assuming the obligations of the Company 12 15 (the "Successor Board"), shall, as to outstanding options, either (i) make appropriate provision for the continuation of such options by substituting on an equitable basis for the shares then subject to such options the consideration payable with respect to the outstanding shares of Common Stock in connection with the Acquisition, (ii) upon written notice to the optionees, provide that all options must be exercised (to the extent then exercisable) within a specified number of days of the date of such notice, at the end of which period the options shall terminate, or (iii) terminate all options in exchange for a cash payment equal to the excess of the fair market value of the shares subject to such options (to the extent then exercisable) over the exercise price thereof. Upon

dissolution or liquidation of the Company, all options granted under the 2000 Plan shall terminate. TAX EFFECTS OF PARTICIPATION IN THE 2000 PLAN Incentive Stock Options. Except as provided below with respect to the alternative minimum tax, the optionee will not recognize taxable income upon the grant or exercise of an incentive stock option. In addition, if the optionee holds the shares received pursuant to the exercise of the option for more than one year after the date of transfer of stock to the optionee upon exercise of the option and for more than two years after the option is granted, the optionee will recognize long-term capital gain or loss upon the disposition of the stock measured by the difference between the option exercise price and the amount received for such shares upon disposition. In the event that the optionee disposes of the stock prior to the expiration of the required holding periods (a "disqualifying disposition"), the optionee generally will recognize ordinary income to the extent of the lesser of (i) the fair market value of the stock at the time of exercise over the exercise price, or (ii) the amount received for the stock upon disposition over the exercise price. The basis in the stock acquired upon exercise of the option will equal the amount of income recognized by the optionee plus the option exercise price. Upon eventual disposition of the stock, the optionee will recognize long-term or short-term capital gain or loss, depending on the holding period of the stock and the difference between the amount realized by the optionee upon disposition of the stock and his basis in the stock. For alternative minimum tax purposes, the excess of the fair market value of stock on the date of the exercise of the incentive stock option over the exercise price of the option is included in alternative minimum taxable income for alternative minimum tax purposes. If the alternative minimum tax does apply to the optionee, an alternative minimum tax credit may reduce the regular tax upon eventual disposition of the stock. The Company will not be allowed an income tax deduction upon the grant or exercise of an incentive stock option. Upon a disqualifying disposition of shares by the optionee acquired upon exercise of the incentive stock option, the Company generally will be allowed a deduction in an amount equal to the ordinary income recognized by the optionee. Under proposed regulations issued by the Internal Revenue Service, the exercise of an option with previously acquired stock of the Company will be treated as, in effect, two separate transactions. Pursuant to Section 1036 of the Code, the first transaction will be a tax-free exchange of the previously acquired shares for the same number of new shares. The new shares will retain the basis and, except, as provided below, the holding periods of the previously acquired shares. The second transaction will be the issuance of additional new shares having a value equal to the difference between the aggregate fair market value of all of the new shares being acquired and the aggregate option exercise price for those shares. Because the exercise of an incentive stock option does not result in the recognition by the optionee of income, this issuance will also be tax-free (unless the alternative minimum tax applies, as described above). The optionee's basis in these additional shares will be zero and the optionee's holding period for these shares will commence on the date on which the shares are transferred. For purposes of the one and two-year holding period requirements which must be met for favorable incentive stock option tax treatment to apply, the holding periods of previously acquired shares are disregarded. Non-Qualified Stock Options. As in the case of incentive stock options, no income is recognized by the optionee on the grant of a nonqualified stock option. On the exercise by an optionee of a non-qualified option, 13 16 generally the excess of the fair market value of the stock when the option is exercised over its cost to the optionee will be (a) taxable to the optionee as ordinary income and (b) generally deductible for income tax purposes by the Company. The optionee's tax basis in his stock will equal his cost for the stock plus the amount of ordinary income he had to recognize with respect to the non-qualified stock option. The Internal Revenue Service will treat the exercise of a non-qualified stock option with already owned stock of the Company as two transactions. First, there will be a tax-free exchange of the old shares for a like number of new shares under Section 1036 of the Code, with the exchanged shares retaining the basis and holding periods of the old shares. Second, there will be an issuance of additional new shares representing the spread between the fair market value of all the new shares (including the exchanged shares and the additional new shares) and the aggregate option price therefor. The fair market value of the additional new shares will be taxable as ordinary income to the employee under Section 83 of the Code. The additional new shares will have a basis equal to the fair market value of the additional new shares. Accordingly, upon a subsequent disposition of stock acquired upon the exercise of a non-qualified option, the optionee will recognize short-term or long-term capital gain or loss, depending upon the holding period of the stock equal to the difference between the amount realized upon disposition of the stock by the optionee and his basis in the stock. NEW PLAN BENEFITS It is not possible to state the persons who will receive stock options under the 2000 Plan in the future, nor the amount of options which will be granted thereunder. PROPOSAL TO AMEND THE RESTATED CERTIFICATE OF INCORPORATION On March 3, 2001 the Board of Directors adopted an amendment to the Restated Certificate



of Incorporation, subject to approval by the stockholders, to increase the number of authorized shares of capital stock from 60,000,000 shares, of which 5,000,000 shares are Preferred Stock, to 140,000,000, including the same 5,000,000 shares of Preferred Stock, thereby increasing the authorized shares of Common Stock from 55,000,000 to 135,000,000. The Board of Directors also directed that the proposed amendment be submitted for action at the Annual Meeting of Stockholders. **INCREASE THE NUMBER OF SHARES OF COMMON STOCK** The Company's Restated Certificate of Incorporation currently authorizes the issuance of a total of 60,000,000 shares, consisting of 55,000,000 shares of Common Stock, par value \$.01 per share, and 5,000,000 shares of Preferred Stock, par value \$.01 per share. The proposed amendment (the "Amendment") will increase the total number of authorized shares to 140,000,000 and the number of shares of Common Stock authorized to 135,000,000. The Amendment will not change the currently authorized number of shares of Preferred Stock, which will remain set at 5,000,000. The Amendment will modify the first paragraph of Article FOURTH of the Restated Certificate of Incorporation to read as follows: **FOURTH:** The total number of shares of all classes of capital stock which the Corporation shall have authority to issue is 140,000,000 shares, consisting of 135,000,000 shares of Common Stock with a par value of \$.01 per share (herein called the "Common Stock"), and 5,000,000 shares of Preferred Stock with a par value of \$.01 per share (herein called the "Preferred Stock"). **PURPOSE AND EFFECT OF THE PROPOSED AMENDMENT** The Board of Directors believes that it is in the Company's best interests to increase the number of shares of Common Stock that the Company is authorized to issue. The Board of Directors believes that the availability of additional authorized but unissued shares will provide the Company with the flexibility to issue Common Stock for proper corporate purposes which may be identified in the future, such as to raise equity capital, to make acquisitions through the use of stock, to establish strategic relationships with other companies, to adopt additional employee benefit plans or reserve additional shares for issuance under such 14 17 plans and to effect stock splits, where the Board of Directors determines it advisable to do so. Other than the proposals set forth in this proxy regarding the 2000 Plan, the Board of Directors is not actively considering any of these corporate purposes. The additional shares of Common Stock for which authorization is sought would be identical to the shares of Common Stock now authorized. If the Stockholders approve the Amendment, no further action or authorization of the stockholders would be necessary prior to the issuance of such additional shares, except as required by law or the rules of The Nasdaq Stock Market or any other exchange upon which the Company's securities may be listed. Adoption of the Amendment and the issuance of Common Stock would not affect the rights of holders of currently outstanding Common Stock, except for effects incidental to increasing the number of shares of Common Stock outstanding. Such issuance could have a dilutive effect on earnings per share, voting power and share holdings of current stockholders. Holders of Common Stock do not have preemptive rights to subscribe to additional securities that may be issued by the Company, which means that current stockholders do not have a prior right to purchase any new issue of capital stock of the Company in order to maintain their proportionate ownership thereof. If the Amendment is adopted, it will become effective upon the filing of the proposed amendment with the Delaware Secretary of State. The proposed Amendment could, under certain circumstances, have an anti-takeover effect. For example, in the event of an attempt to take control of the Company, it may be possible for the Company to endeavor to impede the attempt by issuing shares of the Common Stock, thereby diluting the voting power of the other outstanding shares and increasing the potential cost to acquire control of the Company. The Amendment therefore may have the effect of discouraging unsolicited takeover attempts. By potentially discouraging initiation of any such unsolicited takeover attempt, the proposed Amendment may limit the opportunity for the Company 's stockholders to dispose of their shares at the higher price generally available in takeover attempts or that may be available under a merger proposal. The proposed Amendment may have the effect of permitting the Company's current management, including the current Board of Directors, to retain its position, and place it in a better position to resist changes that stockholders may wish to make if they are dissatisfied with the conduct of the Company 's business. However, the Board of Directors is not currently aware of any attempt to take control of the Company and the Board of Directors has not presented this proposal in response to any such attempt. **THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE PROPOSED AMENDMENT TO THE RESTATED CERTIFICATE OF INCORPORATION AMENDMENT TO AMENDED AND RESTATED BY-LAWS** Article IX of the Company's Amended and Restated Bylaws ("ByLaws") requires the Company to provide notice to its stockholders with respect to any amendments made to the ByLaws. The Board of Directors has amended the ByLaws with respect to the provisions relating to annual meetings of stockholders as set forth below. Previously, the ByLaws required that the Annual Meeting be held on the third Friday in September of each year. Copies of the

ByLaws, as amended, are available from the Secretary of the Company upon request. Annual Meeting. Annual meetings of stockholders shall be held on such date and time as shall be designated from time to time by the Board of Directors or Chief Executive Officer, at which meeting the stockholders shall elect by a plurality vote a Board of Directors and shall transact such other businesses as may properly be brought before the meeting. 15 18 REPORT OF THE AUDIT COMMITTEE(1) The following is the report of the Audit Committee with respect to the Company's audited financial statements for the fiscal year ended December 31, 2000. The Audit Committee has reviewed and discussed the Company's audited financial statements with management. The Audit Committee has discussed with PricewaterhouseCoopers LLP, the Company's independent accountants, the matters required to be discussed by Statement of Auditing Standards No. 61, Communication with Audit Committees which provides that certain matters related to the conduct of the audit of the Company's financial statements are to be communicated to the Audit Committee. The Audit Committee has also received the written disclosures and the letter from PricewaterhouseCoopers LLP required by Independence Standards Board Standard No. 1 relating to the accountant's independence from the Company, has discussed with PricewaterhouseCoopers LLP their independence from the Company, and has considered the compatibility of non-audit services with the accountant's independence. The Audit Committee acts pursuant to the Audit Committee Charter, a copy of which is attached as Appendix "A" to this Proxy Statement. Each of the members of the Audit Committee qualifies as an "independent" Director under the current listing standards of Nasdaq. Fees charged by PricewaterhouseCoopers LLP for services rendered in auditing the Company's annual financial statements for the most recent fiscal year and reviewing the financial statements included in the Company's quarterly reports on Form 10-Q for the most recent fiscal year, as well as the fees charged by PricewaterhouseCoopers LLP for other professional services rendered during the most recent fiscal year are as follows: Audit fees of \$66,900 and tax service fees of \$28,850. Based on the review and discussions referred to above, the Audit Committee recommended to the Company's Board of Directors that the Company's audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000. AUDIT COMMITTEE Paul F. Deninger, Chairman Lawrence D. Lenihan, Jr. Michael L. Mark ----- (1) The material in this report, including the Audit Committee Charter, is not "soliciting material," is not deemed filed with the SEC and is not to be incorporated by reference in any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing. 16 19 INDEPENDENT PUBLIC ACCOUNTANTS On March 13, 2001, the Company terminated the engagement of PricewaterhouseCoopers LLP ("PwC") as the Company's independent public accountants. This decision was approved by the Audit Committee of the Company's Board of Directors and by the Board of Directors. PwC's report on the Company's financial statements for the fiscal years ended December 31, 1999 and December 31, 2000 did not contain an adverse opinion, a disclaimer of opinion or any qualifications or modifications related to uncertainty, limitation of audit scope or application of accounting principles. During the fiscal years ended December 31, 1999 and December 31, 2000 and through the date of termination of the engagement, there were no disagreements with PwC on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure with respect to the Company's financial statements that, if not resolved to PwC's satisfaction, would have caused PwC to make reference to the subject matter of the disagreement in connection with PwC's reports. During the fiscal years ended December 31, 1999 and December 31, 2000 and through the date of termination of the engagement, there were no reportable events as defined in Item 304(a)(1)(v) of Regulation S-K promulgated by the Securities and Exchange Commission (the "Commission" or "SEC"). On March 13, 2001, the Company engaged Arthur Andersen LLP ("AA") as its independent public accountants for the fiscal year ending December 31, 2001. The engagement was approved by the Audit Committee of the Company's Board of Directors and by the Board of Directors. The Company did not consult with AA during the fiscal years ended December 31, 1999 and December 31, 2000 nor during the subsequent period to the date of such engagement regarding either (i) the application of accounting principles to a specified transaction or transactions, either completed or proposed, or (ii) the type of audit opinion AA might render on the Company's financial statements. Representatives of both PwC and AA are expected to be present at the annual meeting, will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions. SECTION 16 REQUIREMENTS Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company's directors, executive officers, and persons who own more than 10% of a registered class of the Company's equity securities (collectively, "Reporting Persons") to file initial reports of ownership and reports of

changes in ownership of Common Stock of the Company with the Commission. Such persons are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file. Based solely on its review of the copies of such forms received by it with respect to fiscal 2000, or written representations from certain reporting persons, the Company believes that all Reporting Persons complied with all Section 16(a) filing requirements in fiscal 2000, except as follows: each of Messrs. Bycoff, Hayden, Palka, Rosen and Wagner were late in filing two Forms 4 in fiscal 2000 and Mr. Taneja was late in filing three Forms 4 during this same year. In the filings, Messrs. Bycoff, Hayden, Palka and Rosen had two transactions in one month and three in the second month; Mr. Wagner had two transactions in one month and five in the second month; and Mr. Taneja had two transactions in one month and three in each of the other two months. STOCKHOLDER PROPOSALS Proposals of stockholders intended for inclusion in the proxy statement to be furnished to all stockholders entitled to vote at the next annual meeting of the Company must be received at the Company's principal executive offices not later than December 31, 2001. In order to curtail controversy as to the date on which a proposal was received by the Company, it is suggested that proponents submit their proposals by Certified Mail, Return Receipt Requested. In accordance with the provisions of Rule 14a-4(c) promulgated under the Securities Exchange Act of 1934, if the Company does not receive notice of a shareholder proposal to be raised at its 2002 Annual Meeting on or before March 18, 2002, then in such event, the management proxies shall be allowed to use their discretionary voting authority when the proposal is raised at the 2002 Annual Meeting. OTHER BUSINESS The Board of Directors knows of no business that will be presented for consideration at the Meeting other than those items stated above. If any other business should be before the Meeting, votes may be cast pursuant to proxies in respect to any such business in the best judgment of the person or persons acting under the proxies. EXPENSES AND SOLICITATION The cost of solicitation of proxies will be borne by the Company, and in addition to soliciting stockholders by mail through its regular employees, the Company may request banks, brokers and other custodians, nominees and fiduciaries to solicit their customers who have stock of the Company registered in the names of a nominee and, if so, will reimburse such banks, brokers and other custodians, nominees and fiduciaries for their reasonable out-of-pocket costs. Solicitation by officers and employees of the Company may also be made of some stockholders in person or by mail, telephone or telegraph following the original solicitation. The Company may retain a proxy solicitation firm to aid in soliciting proxies from its stockholders. The fees of any such firm are not expected to exceed \$10,000 plus reimbursement for out-of-pocket expenses. 10-K REPORT THE COMPANY WILL PROVIDE EACH BENEFICIAL OWNER OF ITS SECURITIES WITH A COPY OF ITS ANNUAL REPORT ON FORM 10-K, INCLUDING THE FINANCIAL STATEMENTS AND SCHEDULES THERETO, REQUIRED TO BE FILED WITH THE SECURITIES AND EXCHANGE COMMISSION FOR THE COMPANY'S MOST RECENT FISCAL YEAR WITHOUT CHARGE UPON RECEIPT OF A WRITTEN REQUEST FROM SUCH PERSON. SUCH REQUESTS SHOULD BE DIRECTED TO BARRY N. BYCOFF, PRESIDENT AND CHIEF EXECUTIVE OFFICER, NETEGRITY, INC., 52 SECOND STREET, WALTHAM, MASSACHUSETTS 02451. By Order of the Board of Directors, BARRY N. BYCOFF President And Chief Executive Officer 18 21 APPENDIX 1 AUDIT COMMITTEE CHARTER I. PURPOSE The Audit Committee (the "Committee") has been appointed by the Board of Directors (the "Board") to assist the Board by providing general oversight of the Company's financial accounting and reporting process, system of internal controls, audit process and the process for monitoring compliance with the Company's standards of business conduct established by the Board. In so doing, it is the responsibility of this audit committee to maintain free and open communication among the independent accountants, the internal auditors and the Company's management. II. COMPOSITION The Audit Committee shall be comprised of three or more directors, as determined by the Board, each of whom shall be independent directors within the meaning of applicable Nasdaq regulations. Each member of the Committee shall be financially literate, and at least one member of the Committee shall have accounting or related financial management expertise. III. MEETINGS Members of the Committee may participate in meetings of the Committee by conference telephone and participation by such means shall constitute presence in person at a meeting. A majority of the Committee members shall be present to constitute a quorum for the transaction of the Committee's business. Unless a chairman of the Committee is appointed by the Board, the members of the Committee may designate a chair by majority vote of the full Committee membership. IV. RESPONSIBILITIES The Committee shall: 1. Review this Charter at least annually. 2. Make recommendations to the full Board of Directors annually regarding the firm of independent accountants to be employed by the Company. The independent accountants shall ultimately be accountable to the Board of Directors and the Committee, as representatives of the shareholders; and the Board, after

considering the recommendation of the Committee, shall have the ultimate authority and responsibility to select, evaluate and, where appropriate, replace the independent accountants. 3. Annually review and approve the scope of the independent audit for the current fiscal year and the audit fee. 4. In consultation with the independent accountants, review the integrity of the Company's financial reporting processes, both internal and external. 5. Take, or recommend that the full Board take, appropriate action to oversee the independence of the independent accountants. 6. Review and discuss with the independent accountants their annual written statement delineating all relationships between the independent accountants and the Company, consistent with Independence Standards Board Standard 1, and actively engage in a dialogue with the independent accountants with respect to any disclosed relationships or services that may impact the objectivity and the independence of the independent accountants, including in particular any services other than those relating to the annual audit of the Company's financial statements and reviews of the Company's quarterly financial statements. A-1 22 7. Review the Company's audited annual financial statements and the independent accountants' opinion thereon. In reviewing the Company's audited annual financial statements, confer with the Company's independent accountants and management and consider the following: - Changes in accounting principles or the application thereof; significant judgment areas; significant risks and exposures and the steps management has taken to minimize such risks to the Company; and significant and complex transactions. - The results of the independent accountants' audit for the year, including the independent accountants' judgments on the quality, appropriateness and consistent application of the Company's accounting principles, disclosures and underlying estimates in the financial statements. - The effectiveness and adequacy of the Company's internal accounting procedures and the effectiveness and adequacy of internal financial controls. Particular emphasis should be given to the adequacy of internal controls to expose any payments, transactions, or procedures that might be deemed illegal or otherwise improper. - Any comments and recommendations of the independent accountants, including any serious difficulties or disputes with management encountered during the course of the audit. 8. Review with management and the independent accountants the interim financial statements and the results of the independent accountants' review, including the independent accountants' judgments on the quality and consistent application of the Company's accounting principles, disclosures and underlying estimates in the interim financial statements. 9. Discuss with the independent accountants any audit findings pursuant to Section 10A of the Private Litigation Reform Act of 1995. (Among other things, this section requires each audit to include procedures regarding detection of illegal acts, identification of related party transactions and evaluation of the issuer's ability to continue as a going concern.) 10. Discuss with the independent accountants the matters required to be discussed by Statement on Auditing Standards No. 61 relating to the conduct of the audit including internal control matters, fraud, the auditor's responsibility under generally accepted auditing standards, significant audit adjustments and other such items. 11. Provide any recommendation, certifications and reports that may be required by Nasdaq or the Securities and Exchange Commission. The report required by the Securities and Exchange Commission to be included in the Company's annual proxy statement shall affirm that the Committee is governed by a charter and has (i) reviewed and discussed the audited financial statements with management, (ii) discussed with the independent accountants the matters required to be discussed by SAS 61, (iii) received the written disclosures and the letter from the independent accountants required by Independence Standards Board Standard No. 1 and has discussed with the independent accountants the independent accountants' independence and (iv) recommended to the Board that the audited financial statements be included in the Company's Annual Report on Form 10-K. 12. Conduct or authorize investigations into any matters within the Committee's scope of responsibilities. The Committee shall be empowered to retain independent counsel, accountants and others to assist it in the conduct of any investigation. 13. Provide sufficient opportunity for each of the chief financial officer, and the independent accountants to meet separately with members of the Audit Committee without other members of management present. Among the matters to be discussed in these meetings are the independent accountants' evaluation of the Company's financial accounting personnel and the cooperation that the independent accountants received during the course of the audit. A-2 23 NETEGRITY, INC. 52 Second Avenue Waltham, MA 02451 Dear Shareholder: As the Annual Report shows, Netegrity achieved outstanding results in 2000, demonstrating that we are a company that consistently exceeds its commitments. We delivered our first quarter of earnings and positive cash flow in Q3 - one quarter ahead of plan - and in Q4, we generated profitability from operations, just as we promised we would twelve months ago. Against a backdrop of choppy market conditions, we delivered 46 percent software growth in Q4, marking our eleventh straight quarter of sequential SiteMinder growth of 40 percent or greater. The stock performance chart included in the Proxy Statement shows that Netegrity's stock has

outperformed, by a wide margin, the NASDAQ stock market over the last three years ending December 31, 2000, providing an average compound annual total return of 296.1%. In fact, Netegrity was named the Best Three-Year Performer on the Wall Street Journal Shareholder Scoreboard. During 2000, Netegrity was also added to the Russell 2000 Index, the Standard 100 Index, the Bloomberg Personal Finance Tech 100, Software Magazine's Software 500 list, and the Boston Globe High Tech 50. In order to continue to deliver the outstanding results that you expect from Netegrity, we need your help to ensure that, in the future, the best and brightest individuals will choose Netegrity as their employer. Hiring, retaining, and motivating the high-quality people has become increasingly challenging in high tech companies in America, and the competition for educated, motivated employees in the technology industry is fierce. To increase our market and technology leadership, and ensure the future success of the company, we must respond to this competition by hiring and retaining highly talented people. To do this, Netegrity must either substantially increase the cash compensation paid to employees or we must continue on our proven successful path of creating employee stockholders through the granting of stock options. Unlike the immediate dilutive effect on Earnings Per Share ("EPS") caused by increases in cash compensation, grants of stock options have no effect on EPS until our stock increases in value beyond the option exercise price. For income statement purposes, there is no compensation expense for employee stock options that are granted with an exercise price equal to the market value of the company's stock. Notwithstanding an increase in the number of options granted this year, we believe that Netegrity's total number of stock options outstanding falls well within the norm for our peer group of companies, i.e., Vignette, RSA, and Checkpoint, to name a few. Eleven consecutive quarters of SiteMinder license revenue growth in excess of 40 percent, a 324 percent increase in total revenues from 1999 to 2000, a 401 percent jump in SiteMinder revenues from 1999 to 2000....we made this happen with your support, and are working aggressively to continue to grow the company. But we can only be successful in our endeavors if you, the shareholders, furnish me with the tools that will allow me to build and motivate the Netegrity team. One of the most important of these tools is the continued grant of stock options to our employees. What about the dilutive effect of options on EPS? Well, diluted EPS is calculated by dividing the company's net income by the number of shares outstanding, including the effect of options. If there are more shares and options outstanding...and if the earnings remain the same...then, 24 obviously, diluted EPS decreases. But, at Netegrity, we have successfully used stock options to motivate our employees to increase earnings! We would expect that any increase in the number of shares outstanding due to stock options would be more than compensated for by an increase in the earnings. The net effect would be positive for EPS. I am asking you to separately approve two amendments to the Company's 2000 Stock Incentive Plan ("Plan"). The first amendment (Proposal 2) would authorize the Company to reserve an additional 2.3 million shares for issuance upon the exercise of stock options under the Plan. The second amendment (Proposal 3) involves the adoption of a so-called "evergreen provision" so that every year the number of options available for grant under the Plan will automatically increase up to 4.5 percent of the outstanding shares. By approving the second amendment, you will help the Company avoid the expensive and time-consuming task of seeking shareholder approval for this routine matter. Please read the enclosed description of the plan amendments that have been recommended, unanimously, for approval by the Board of Directors. As a significant shareholder of Netegrity, you can be sure that I am strongly motivated to protect shareholders' interests. My goal is the same as yours...to increase shareholder value. Please help to ensure our continued success by voting YES on Proposals 2 and 3 either in person at the upcoming shareholder meeting (9:00 a.m. on May 30, 2001 at Netegrity's Corporate Headquarters: 52 Second Avenue, Waltham, Massachusetts) or by mailing in the enclosed proxy card. Thank you for your commitment to Netegrity, Inc. I look forward to building a successful future for the company with your ongoing support. Sincerely, Barry N. Bycoff Chairman, President, and Chief Executive Officer

25 REVOCABLE PROXY NETEGRITY, INC. PLEASE MARK VOTES AS IN THIS EXAMPLE [x] ANNUAL MEETING OF STOCKHOLDERS MAY 30, 2001 The undersigned hereby appoints Ralph B. Wagner and Barry N. Bycoff, and each of them, as proxies, with full power of substitution, to vote all shares of capital stock of Netegrity, Inc. (the "Company") which the undersigned is entitled to vote at the Special Meeting of Stockholders of the Company to be held on Wednesday, May 30, 2001, at 9:00 a.m., local time, at the Company, 52 Second Avenue, Waltham, MA 02451 and at any adjournments thereof, upon such business as may properly come before the meeting, including the following set forth on this proxy. THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS. THE BOARD RECOMMENDS AN AFFIRMATIVE VOTE ON ALL PROPOSALS SPECIFIED. SHARES WILL BE VOTED AS SPECIFIED. IF NO SPECIFICATION IS MADE, THE SHARES REPRESENTED WILL BE VOTED PROPOSALS 1, 2, 3, AND 4. 1. Election of Directors: FOR

WITHHOLD FOR ALL EXCEPT [ ] [ ] [ ] Nominees: BARRY N. BYCOFF, RALPH B. WAGNER, MICHAEL L. MARK, ERIC R. GILER, LAWRENCE D. LENIHAN, JR. AND PAUL F. DENINGER INSTRUCTION: TO WITHHOLD AUTHORITY TO VOTE FOR ANY INDIVIDUAL NOMINEE, MARK "FOR ALL EXCEPT" AND WRITE THAT NOMINEE'S NAME IN THE SPACE PROVIDED BELOW.

----- 2. To amend the Netegrity, Inc., 2000 Stock Option Plan to increase the number of shares of Common Stock reserved for issuance thereunder by 2,300,000 shares. FOR AGAINST ABSTAIN [ ] [ ] [ ] 3. To amend the 2000 Stock Option Plan to increase automatically on an annual basis the number shares of Common Stock reserved for issuance thereunder. FOR AGAINST ABSTAIN [ ] [ ] [ ] 4. To amend the Certificate of Incorporation of the Company to increase the number shares of Common Stock which the Company has the authority to issue from 55,000,000 to 135,000,000 shares. FOR AGAINST ABSTAIN [ ] [ ] [ ] 5. In their discretion, the proxies are authorized to vote upon such other business as may properly come before the Meeting. PLEASE CHECK BOX IF YOU PLAN TO ATTEND THE MEETING. [ ] THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS. THE BOARD RECOMMENDS AN AFFIRMATIVE VOTE ON ALL PROPOSALS SPECIFIED. SHARES WILL BE VOTED AS SPECIFIED. IF NO SPECIFICATION IS MADE, THE SHARES REPRESENTED WILL BE VOTED FOR THE ELECTION OF DIRECTORS AS SET FORTH IN THE PROXY STATEMENT AND FOR PROPOSALS 2, 3, AND 4. Please be sure to sign and date this Proxy in the box below. Date: \_\_\_\_\_ Stockholder sign above

\_\_\_\_\_ Co-holder (if any) sign above

----- DETACH ABOVE CARD, SIGN, DATE AND MAIL IN POSTAGE PAID ENVELOPE PROVIDED. NETEGRITY, INC. Please sign exactly as your name(s) appear(s) on this Proxy. When shares are held by joint tenants, both should sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign in full corporate name by President or other authorized officer. If a partnership, please sign in partnership name by authorized person. PLEASE ACT PROMPTLY DATE AND SIGN THIS PROXY IN THE SPACE PROVIDED AND RETURN IT IN THE ENCLOSED ENVELOPE WHETHER OR NOT YOU EXPECT TO ATTEND THE MEETING IN PERSON. If your address has changed, please correct the address in the space provided below and return this portion with the proxy in the envelope provided. -----